EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

No.30,814 Monday April 10 1989 D 8523A

CAR POLLUTION
The long drive for tougher controls
Page 18

World News

Soviets admit submarine had nuclear torpedoes

The Soviet nuclear-powered submarine which sank off the Norwegian coast on Friday was carrying two nuclear torpedoes, the Soviet news agency Tass said. The agency said 42 sailors died in the accident. Page 4

SA parties merge
Three of South Africa's opposition parties joined forces to form the Democratic Party in a realignment of the parliamentary left. Page 2

Gaullist action
The leadership of France's right-wing Gaullist RPR party moved swiftly and in force to head off the rebellion by young Gaullists which has broken out into the open in the past 10 days. Page 4

Hospital arrest
A fourth nurse has been arrested in Austria's widening hospital scandal. The number of patients killed by the nurses at Vienna's Lainz hospital reached 44.

W German reshuffle
Gerhard Stoltenberg looks likely to lose his job as Finance Minister in the cabinet reshuffle in Bonn's coalition Government. Page 3

Al-Fayed inquiry
British detectives began inquiries in Egypt into the affairs of the Egyptian-born al-Fayed brothers at the centre of a row over the takeover in 1985 of Britain's House of Fraser stores group. Page 6

Polish electioneering
Solidarity's preparations for national elections in Poland in June began in earnest with the establishment of a civic committee in Warsaw which will choose candidates. In Gdansk, several hundred Polish youths marched in protest against Solidarity leader Lech Walesa's pledge to back the elections. Page 3

Bush on tour
President George Bush may visit Poland to underline US support for the moves there towards free elections and political pluralism. Page 18

Israeli shooting
Israeli troops shot dead an Arab boy and wounded four Palestinians on the second day of a 48-hour strike in the occupied territories.

Russians vote again
Soviet voters in 64 constituencies who spurned leading members of the Communist Party last month in their first multi-candidate elections are returning to the ballot booths to determine winners. Page 3

African debt call
Africa's poorest nations have called on foreign creditors to write off all their foreign debt, saying most are on the verge of economic collapse. Page 2

Takeshita stays put
Japanese Prime Minister Noboru Takeshita rejected calls for his resignation and a general election after revelations about his links with a company at the heart of post-war Japan's biggest scandal. Page 4

Dock strike ballot
British dock leaders are expected to recommend a national ballot on strike action against moves to abolish guaranteed jobs-for-life. Page 5

Jalalabad attack
Afghan guerrillas said they launched a second major attack on the eastern town of Jalalabad and had come under heavy bombing attacks from government aircraft.

US crime
Crimes of all kinds in the US increased by 1.8 per cent in 1988 and the Justice Department said only 36 per cent of all crimes are reported to police.

Ortega in UK
President Daniel Ortega of Nicaragua is to have talks in London next month with UK Prime Minister Margaret Thatcher.

Business Summary

Unilever aims to boost food business with task force

UNILEVER, the Anglo-Dutch consumer products multinational, is to set up a top-level management task force to expand its global food business. Page 18

EUROPEAN Monetary System: The Danish krone moved slightly firmer last week after the Danish central bank said it would increase interest rates if necessary. Higher rates would help to protect the krone and also reduce the recent run on Denmark's foreign currency reserves which have been depleted by support intervention in currency markets.

The D-Mark remained the strongest currency within the system but was little changed from the week before in terms of its Ecu central rate.

EMS April 7, 1989

GRID
D.Krone
Lira
B Franc
F Franc
Irish Punt
Guilder
D-Mark
Sterling

16.54

ECU DIVERGENCE
D Krone
Lira
B Franc
F Franc
Irish Punt
Guilder
D-Mark

KEY: Limit; ECU Parity; Day Position

EUROPEAN Monetary System: *The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross-rates from which no currency (except the lira) may move by more than 2¼ per cent. The lower chart gives each currency's divergence from the "central rate" against the European Currency Unit (Ecu), itself derived from a basket of European currencies.*

THE UK economy will be characterised by high interest rates, high inflation and a large trade deficit throughout this year with little improvement in 1990 according to a survey. Page 18

COSTAIN GROUP companies, the UK building group, have been awarded contracts approaching £100m in the past month. Costain Construction has been awarded a number of contracts, which exceed £58m in total. Page 10

THE CHILEAN Foreign Minister said his government would not interfere with trade between Chile and the Falkland Islands. Page 2

FINANCING of the Great Belt Fixed Link, Denmark's longest tunnel and bridge connection, is under way with a loan of $58m raised through Long-Term Credit Bank of Japan. Page 22

BANK of ITALY has taken more steps to halt the recycling of criminal funds through the Italian banking system. Page 4

BRITISH and French futures exchanges are poised for head-to-head competition to win custom for an almost identical Euromark three-month interest rate futures contract. Page 23

BRITAIN will lose 70.5m barrels of crude oil production, worth about $1.27bn at current prices, in the first half of the year, according to the petroleum services department of James Capel, the London stockbroker. Page 8

EASTMAN Kodak of the US and Italy's Olivetti have formed a joint venture to develop optical disk drives for personal computers. Page 4

POHJOLA, Finland's leading insurance group, made consolidated net income, after transfer to equalisation reserves and taxes, to $41.1m in 1988, up from $27.8m. Page 23

UK COMMERCIAL vehicle sales jumped by 13.51 per cent in March to 36,186, the highest level for the month since 1973. Page 5

STENA LINE, the Swedish passenger ferry company, showed a loss of $2.5m after financial items for its off-season six months to February. Page 23

THE TRILATERAL Commission meeting in Paris said a reduction in the US fiscal deficit would be "by far the best approach" to a reduction of America's external current account deficit. Page 4

Troops clash with nationalist groups in Soviet Georgia

By John Lloyd in Moscow

THE MOST serious nationalist unrest in the Soviet Union since Armenian-Azerbaijani clashes last year, flared in the Republic of Georgia, claiming the lives of 16 people in the state capital of Tbilisi early yesterday morning.

Nationalist groups in the city put the deathtoll at 30.

The same, unconfirmed, reports from the Tbilisi group reached by telephone said that among the dead were 11 local militia attempting to protect demonstrators against an assault by special Interior Ministry troops brought in to the capital to quell the riots.

A statement read on Georgian television confirmed reports of the clashes, which broke out at dawn after two days of demonstrations involving up to 100,000 people.

"Sixteen civilians were killed and more than 100 were injured," the statement said. "A total of 91 soldiers were also hurt, 20 of whom were hospitalised. Four of them are in a serious condition."

It said that clashes broke out early on Sunday morning before the main government building, but said that troops did not use their weapons.

Tass news agency reported that a demonstration, led by the National Liberation Movement of Georgia, began to "get out of control" after 9.00pm on Saturday.

After appeals from leaders had passed unheeded, troops were told to clear the square. The Tass report said that "army and police units acted strictly in accordance with instructions on the non-use of weapons." However, extremist groups armed with stones, sticks and metal objects offered fierce resistance as a result of which 16 people died.

The unofficial version is that, at 4am yesterday, a detachment of the 1,500 Interior Ministry troops in the city since last week began "violent attacks" on 150 people who have been on hunger strike for Georgian independence. The militia were killed, the source said, trying to protect strikers from the attack. Neither report mentioned the firing of shots.

A woman resident, interviewed by the Reuters agency, confirmed that militia were attacked by soldiers. She said that the troops in riot gear supported by tanks fell on the demonstrators in the main Rustaveli Prospekt in an outburst of uncontrolled fury.

The demonstrations were organised, the nationalist groups said, by an umbrella body called the Central Committee for Struggle, composed of such pro-independence groups as the National Democratic Party, the society of Saint Ilya, the Union for National Justice and the Helsinki Watch Group.

Unrest in Tbilisi flared up last week over demands from the Abkhazi people, living in an enclave on the Black Sea, to secede from Georgia and form a separate Soviet republic.

Continued on Page 18

Gatt reaches agreement on four outstanding issues

By William Dullforce and Peter Montagnon in Geneva

THE URUGUAY Round of multilateral trade talks is back on the rails after formal agreement was reached on Saturday evening on the four outstanding issues which led to the breakdown of last December's trade ministers' meeting in Montreal.

The agreement sets out future negotiating plans for all four areas. They are agricultural reform, trade in textiles, protection of intellectual property rights and safeguards – the temporary measures which governments can take to protect industries threatened by sudden surges in imports.

Also formally adopted at a special meeting of the General Agreement on Tariffs and Trade were 11 more agreements reached in Montreal which complete the Uruguay Round mid-term review.

The Round, whose aim is to strengthen the multilateral trading system and improve the functioning of the Gatt, is now set to proceed towards completion at the end of 1990.

Saturday's deal was reached only after a last minute confrontation between the European Community and developing countries on (?) issues.

Concerned over possible effects on their industries of cheap imports, Italy and Portugal sought to make the freeing of trade in textiles from its present restrictions conditional on the acceptance of offsetting obligations by Third World exporters.

However, the crowning achievement of the 10 days of haggling by top trade officials was an agreement on agriculture which commits the US, EC and Japan to plan for fundamental long-term reform of their costly support programmes.

The agreement on intellectual property will allow Gatt members to elaborate rules for the protection of intellectual property without prejudice as to who will apply them.

The textiles confrontation was finally resolved by the addition of a single world, "all," to language requiring both exporters and importers to improve the trade situation.

This compromise allows participants to define a plan for negotiating the incorporation into the Gatt of trade in textiles which is currently governed by quotas set under the Multifibre Arrangement (MFA).

Industrial countries were reluctant last week even to make a promise to abstain from further tightening of restrictions on developing country imports while negotiations were under way.

Even by the end of the meeting they had managed to avoid committing themselves to unwinding the MFA completely. Saturday's agreement simply states that the process of "progressive integration" of textiles into the Gatt should start once the Uruguay Round is over in 1990.

Namibia talks agree plan for withdrawal of guerrillas

By Anthony Robinson in Johannesburg

ARMED Swapo insurgents who infiltrated into Namibia over the last week in defiance of international agreements will be sent back across the Angolan border and confined to bases monitored by the United Nations under the terms of an agreement signed last night by Angola, Cuba and South Africa.

A ceasefire came into effect on signature of the document, which was hammered out by the three signatories to the Angolan peace agreement signed in New York on December 23 in the presence of Soviet and US observers.

"As of the signing of this document it will be considered that the Swapo forces will be able to deploy with full safety to the established assembly points," it said.

Police estimate that some 1,900 Swapo guerrillas have crossed the border since the April 1 deadline for the start of implementation of UN resolution 435 leading to Namibian independence, with several hundred more waiting just across the Angolan border. All Swapo forces will be removed beyond the 16th parallel which runs over 200 kms north of the Namibia border with Angola.

They would have to stay there for at least six weeks, before being allowed to return without weapons to Namibia, for an election campaign due to start in July.

The agreement was made possible by the decision of the Swapo leadership headed by President Sam Nujoma to order a ceasefire and order his forces to re-group and leave Namibia within 72 hours.

The agreement said the UN would supervise the assembly of the guerrillas in the bush and their transport to points 90 miles inside Angola.

The ceasefire talks took place in an army tent in a private game reserve, 150 miles north of Windhoek and about the same distance from the Ovamboland war zone.

Differences appeared to centre on Swapo insistence that its guerrillas be allowed to take the arms with them.

The session, attended by Soviet and US observers, began on Saturday when Mr Pik Botha, South Africa's Foreign Secretary, rejected a suggestion by Mr Perez de Cuellar, the UN Secretary General, that Swapo forces should be disarmed but allowed to stay in camps within Namibia mon-

Continued on Page 18

IMF moves to ease Third World lending

By Stephen Fidler, Euromarkets Correspondent, in London

THE International Monetary Fund has decided that it will lend money to Third World debtor countries even when they are in arrears to commercial bank creditors, a move designed to put pressure on banks to speed up debt agreements.

The move, a significant shift in IMF strategy, is expected to allow more leverage for the fund and for debtor countries in the face of a growing unwillingness among the banks to join agreements.

Since the debt crisis began in 1982, the fund has disbursed money only when a country has been up to date with payments to bank creditors and after a so-called "critical mass" of banks has entered the deals. This often meant long delays before the fund and its sister institution the World Bank could disburse money, as negotiations between banks and debtors frequently dragged on. On occasions, these delays threatened to put IMF programmes to adjust these countries' economies in jeopardy.

Commercial bankers say they are worried by the development, while some creditor governments are also concerned about the assumption by the public sector of private sector obligations, and the risk that the IMF and World Bank could leave themselves as the only lenders to some debtor countries.

In a speech outlining new US debt proposals last month, Mr Nicholas Brady, the US Treasury Secretary, called for "more timely and flexible financial support" and described the existing system as "cumbersome and rigid."

"While we believe the IMF should continue to estimate debtor financing needs, we question whether the international financing institutions should delay their initial disbursements until firm detailed commitments have been provided by all other creditors to fill the financing 'gap'," Mr Brady said.

The IMF, however, anticipated this by indicating in February – after informal discussions with its board – that Costa Rica would not jeopardise its new financing programme with the IMF and World Bank if it built up arrears to commercial banks.

"Costa Rica did everything right and the banks just would not come to an agreement," said one monetary official in

Brady: critical

Washington last week. The country, very close to putting together a deal with the Fund, has been paying banks half its scheduled interest payments.

Monetary officials say there is no intention for the Fund to lend countries in arrears to banks as a matter of course, but that action was needed to address the fact that commercial banks were exercising a veto on financing packages.

The "free rider" problem, where banks continue to benefit from interest payments but refuse to lend new funds, had been growing. Larger and larger banks were refusing to put up new loans.

Lending into arrears requires a waiver by the IMF board of the Fund's Article Eight, which states that "No member shall, without the approval of the Fund impose restrictions on the making of payments and the transfer of current international transactions."

In another development, World Bank officials, responding to concerns about the Bank's credit rating posed by the Brady proposals, have said that the scale of support they would provide under new debt proposals would have no effect on its credit standing.

The ideas would involve setting aside some 25 per cent of adjustment lending programmes to finance the buy-backs of debt or finance debt reduction, which would involve no additional exposure.

On top of that, a further 5-10 per cent of a lending programme could be devoted to World Bank interest-rate support on bonds issued at below-market rates and aimed at reducing debt servicing burdens, officials explained.

Waterford Glass chief resigns

By Vanessa Houlder and Kieran Cooke in Dublin

THE chief executive of Waterford Glass, the troubled Irish glassware and Wedgwood china company, resigned yesterday.

Mr Paddy Hayes, who was also group chairman, accepted full responsibility for accounting inaccuracies. The impact of these will be revealed when Waterford's 1988 results are announced later today, together with the conclusions of an accountancy firm's investigation into the errors.

The inaccuracies, which were were confirmed by Peat Marwick McLintock, are believed to relate to serious overstatements of the value of stock in the crystal division.

The new chairman will be its former deputy chairman, Mr Howard Kilroy, who is also president of Jefferson Smurfit Group, the packaging group.

The new chief executive will be Mr Paddy Byrne, a director who has hitherto been responsible for Wedgwood.

Two board directors have already resigned because of the errors, revealed in January. From that date Mr Hayes' resignation seemed likely, although no action was taken until the board received the Peat Marwick report.

Mr Hayes said his resignation was "in keeping with well established business tradition". He has received an undisclosed sum in compensation.

The report, which is believed not to attribute individual blame for the errors, has confirmed that the reported productivity and profits figures for the crystal division were misleading.

The report is believed to conclude that poor labour relations are Waterford's central problem. Although it commends Waterford's restructuring strategy, it argues that it must achieve the co-operation of the workforce.

The workforce in its crystal division has been reduced by a third, following a I£50m ($71.5m) rationalisation programme begun in 1987.

But production cost savings have been well below expectations, a problem initially masked by the accounting errors.

The City of London has speculated that the completion of the investigation will clear the way for takeover approaches.

Mr Paddy Hayes, 57, a former chief executive of Ford in Ireland, was brought into Waterford in 1985 and masterminded the company's £253m ($430m) agreed bid for Wedgwood the following year.

Wedgwood's subsequent strong performance has cushioned a disastrous performance by the crystal division.

Analysts believe that heavy losses from the crystal division will leave the group struggling to show any profit for 1988.

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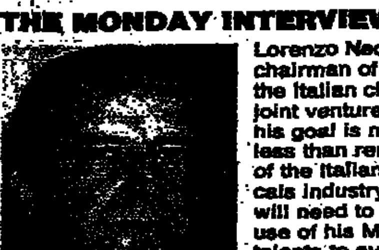

Lorenzo Necci is chairman of Enimont, the Italian chemicals joint venture. Given his goal is nothing less than renaissance of the Italian chemicals industry, Mr Necci will need to make full use of his Medici-like talents to avoid failure Page 44

OVERSEAS NEWS

Bush opens talks with Congress on tax revenues

By Peter Riddell, US Editor, in Washington

CONGRESSIONAL leaders and the Bush administration have begun discussing possible ways of raising tax revenues, but a firm agreement could still be some way off on a detailed plan to cut the federal budget deficit below the statutory target of $100bn for fiscal 1990.

Leaders of the Democrat-controlled Congress will have to decide within the next few days whether to go ahead without administration agreement on their own budget resolution setting overall spending limits, as required by the statutory timetable.

The start of detailed talks on revenue options opens the way to breaking the deadlock on the budget but it is still uncertain how much flexibility there is within President Bush's often repeated pledge against tax increases. The probability is that the talks between Congress and the Administration will continue at the same time as the Senate and House budget committees prepare their spending resolutions.

The Administration, through Mr Richard Darman, the Budget Director, last week offered new revenue-raising proposals as alternatives to those in the two-month-old Bush budget.

This included just over $14bn in new revenue, consisting of new taxes, sales of government assets, user fees or charges, and stricter enforcement of existing taxes.

However, the Democrats have objected to a number of features of the Bush budget, including new Medicare health taxes on state and local government employees and *reducing tax rates on capital gains*, which the Administration reckons will raise revenue in the first year.

Senator Lloyd Bentsen, the Democrat chairman of the Senate Finance Committee, said there was widespread agreement that about $14bn in new revenues would be included in a budget package. But he added that there was "great disagreement on which taxes to raise. We have a lot of negotiating to do on that and I'm not sure how it will come out."

The Administration still insists that any proposals to raise revenues must come from the category of user fees or loophole-closers to fulfil the President's pledge not to *introduce new taxes*. This is in line with Mr Darman's "duck" definition that a new tax or tax increase is what the public thinks is a new or higher tax.

West Bank activist attacks Shamir plan

By Tony Walker in Cairo

ELECTIONS in the Israeli-occupied West Bank and Gaza Strip must be under international supervision, a leading pro-PLO activist from the occupied territories said in Cairo yesterday.

Mr Faisal al-Husseini, seen as the PLO's chief representative in the occupied territories, said elections in the West Bank and Gaza could not *take place while the territories* were occupied by the Israelis.

His comments are the most authoritative yet to be made by a leading West Bank personality in reply to last week's proposal by Mr Yitzhak Shamir, Israel's Prime Minister, that "free and democratic elections" be held in the territories as part of a move towards greater Palestinian autonomy.

"Elections should be under the supervision of international troops after the Israeli occupation has ended," Mr al-Husseini said after a meeting with Dr Esmat Abdel Meguid, the Egyptian Foreign Minister.

The PLO has called for the establishment of an independent Palestinian state in the *West Bank and Gaza*. Mr Shamir has rejected dealings with the PLO and is opposed to exchanging land for peace in the occupied territories.

Israel given advice on bank stake sale

By Hugh Carnegy in Jerusalem

A US consultancy has recommended that the Israeli Government dispose of its majority shareholdings in the country's big banks through a mixture of public and private placements, allowing an injection of foreign ownership but maintaining control, at least to begin with, by means of "golden shares".

Merrill Lynch Capital Markets of New York was asked for its advice by M I Holdings, the state-owned depository of the Government's bank holdings. MIH was charged with disposing of them to the public after the Government had to *buy in stock to save the banks* in late 1983, following a crash on the Tel Aviv Stock Exchange.

The matter is complicated by special voting rights, which leave control of the banks among minority shareholders; for example, the Jewish Colonial Trust, OHH, owns only 2 per cent of Bank Leumi, but has 75 per cent of votes.

A bill is before parliament to equalise voting rights, which some bank shareholders complain amounts to nationalisation. Merrill Lynch says it would be virtually impossible to obtain full value for common stock, unless there is *voting equalisation*.

The consultancy, which makes no bones about its desire to act as financial adviser in a share issue scheme, suggests in its preliminary advice an initial private placement of some 25 per cent of common stock "on a global basis", with no single investor allowed more than 2 to 3 per cent.

The Government would maintain control through a golden share, used only to avoid control falling into "unacceptable hands". But Merrill Lynch says a level of foreign ownership would help the Israeli economy gain enhanced access to world capital markets.

Combined with a private placing would be a domestic public offering to individual investors and bank employees and – here a sop to the present controlling interests – the opportunity for them to additional investment "commensurate with their equity investments".

Over time, a global public offering could be achieved, reducing the Government's golden share. Merrill Lynch advises picking the strongest bank as the first to be sold and says some banks could be broken up, with profitable subsidiaries sold off separately.

Ecuador in $9m debt-for-nature swap

By Nancy Dunne in Washington

US conservationists have completed their sixth and largest debt-for-nature swap, intended to deliver $9m (£5.2m) to Ecuador for park acquisition and management in the Andes, Amazon and Galapagos Islands.

In the swap, $9m of Ecuadorean debt will help preserve the rain forests of western Ecuador, which are widely considered to be the richest and most threatened on Earth. The World Wildlife Fund will purchase *$5.4m of the debt package* from Morgan Guaranty Trust and Bakers Trust.

The Nature Conservancy, an international land conservation organisation, will purchase $3.6m of debt from American Express Bank, including a $400,000 contribution on behalf of the Missouri Botanical Garden, a research and educational facility.

The entire package, *authorised by Ecuador's Central* Bank, will cost $1.069m heavily discounted at a market rate of 11⅞ on the dollar.

Fundacion Natura, Ecuador's leading conservation organisation, will convert the *debt into $9m of local currency* bonds. Over eight years these will generate interest and principal which will also train local conservation professionals and create a data base of information about Ecuador's biological diversity to allow better conservation and development planning.

The US conservation groups say deforestation in Ecuador for agriculture, fuel wood, timber, cattle ranching, urban development and road construction has been claiming 340,000 acres of forest land every year, an annual loss of 2.3 per cent.

The area to be protected contains an estimated population of 20,000 to 25,000 plant species, which far exceeds the 17,000 known to exist in North America.

Since August 1987, US conservationists have completed debt-for-nature transactions in Costa Rica, the Philippines, Bolivia and Ecuador.

Senator Robert Kasten Jr, on the Senate Foreign Operations Appropriation subcommittee, is backing new legislation to create a debt-for-nature clearing house to co-ordinate financial resources with environmental needs in the developing nations.

The senator said he had been told Mr Barber Conable, president of the World Bank, had expressed interest in expanding the use of debt-for-nature swaps.

Argentine inflation rate rises sharply

By Gary Mead in Buenos Aires

ARGENTINA's economic crisis sharpened at the weekend as the Government released figures showing the worst monthly inflation since August 1988. The figure of 17 per cent for March (as against 9.6 per cent in February) means that President Raul Alfonsin's hopes of holding monthly inflation to single figures before the presidential election on May 14 have finally collapsed.

Independent analysts are suggesting that April's inflation will surpass 25 per cent.

Last August the Radical Party government introduced emergency economic measures aimed at stemming runaway inflation, which that month was 27.6 per cent. August's measures were also designed to *improve the chances of Mr* Eduardo Angeloz, the party's presidential candidate.

The party's economic record will be a crucial factor in the presidential election. At the end of March this year Mr Alfonsin's economic team resigned to make way for figures with greater credibility.

But Mr Juan Carlos Pugliese, the new Minister of Economy, now faces serious problems. Last week he devalued Argentina's currency by 21 per cent. That did nothing to bring down the high level of unofficial dealing in foreign currency. Last Friday the market closed at 47 australs to the US dollar, still 140 per cent more than the officially fixed rate.

At the weekend Mr Pugliese tried to scotch rumours of further devaluations. He also said there would be no price freeze, no large wage increases and no unification of exchange rates. Unofficial currency dealers, however, continued to view the future with scepticism: they are now offering an end-of-April futures price of 60 australs to the dollar.

● *Mr Hernan Errazuriz*, the Chilean Foreign Minister, said during a visit to Argentina at the weekend that his Government would not interfere with commercial trade between Chile and the Falkland Islands.

The Argentine Government has recently registered complaints with both Uruguay and Chile about an irregular ferry *service between the two countries* and the Falkland Islands.

Africans urge debt write-offs

AFRICA'S poorest nations have called on foreign creditors to write off their debt, saying most are on the verge of economic collapse, Reuter reports from Addis Ababa.

The appeal by 28 countries was made in a declaration presented to a meeting of African economic planning and development ministers.

A separate report noted that the foreign debt of the 28 – among 42 nations worldwide classified as Least Developed Countries (LDCs) – had tripled this decade to $40.2bn.

The declaration on measures to accelerate development expressed concern about falling prices for commodity exports. It also mentioned inadequate foreign aid, hardening *terms on such aid and* growing debt.

Hong Kong set to approve markets watchdog bill

By John Elliott in Hong Kong

LEGISLATION to set up Hong Kong's new financial markets watchdog, the Securities and Futures Commission, is expected to complete its passage through the colony's consultative procedures this week and become law on May 1.

Yesterday the Government published more than 270 amendments to its Securities and Futures Commission Bill, which is the first in Hong Kong's history to be drafted and enacted in Chinese as well as English.

Originally published in January, the bill is intended to rebuild the international image of Hong Kong's securities markets, criticised for a lack of ethics and professionalism at the end of 1987 after the world stock markets crash.

The bill is expected to receive its second and third readings in the colony's Legislative Council on Wednesday and to be signed by Sir David Wilson, Hong Kong's governor, on Thursday.

The amendments have been agreed during three months of committee work and are designed to end a bitter dispute between the embryo commission and the Hong Kong Stock Exchange over alleged excessive regulation.

One amendment requires the Commission "to promote and develop self-regulation by market bodies in the securities and futures industries." Other amendments are also designed to encourage self-regulation by the markets and to involve the Hong Kong Government in especially controversial decisions.

The Hong Kong Futures Exchange is to make a fresh effort to adopt a controversial new constitution at an extraordinary general meeting on May 9. Some members of the exchange have blocked the proposed changes and reforms at two earlier meetings. If the constitution is not approved on *May 9*, the Government will consider using powers in the new bill to implement it unilaterally.

HK sees big increase in boatpeople immigrants

By John Elliott

THE number of Vietnamese boatpeople arriving in Hong Kong this year has more than doubled compared with the same period last year, to over 1,900. This is the highest figure for 10 years and includes nearly 400 who have arrived in the past two days.

The sharp increase is causing growing concern in Hong Kong. The Government is determined to reduce the numbers of would-be refugees living in the colony and has been in the *forefront of recent* international efforts to solve the problem.

A total of 12,425 boatpeople have arrived in Hong Kong since the colony stiffened its refugee policy last June. All new arrivals are now held in detention centres and declared illegal immigrants unless they prove in a screening process that they are genuine political refugees.

So far about 1,220 have been screened and only 106 have been accepted as genuine political refugees who qualify for resettlement in Western countries. The rest are regarded as economic migrants who remain in detention centres until they are eventually repatriated to Vietnam.

Hong Kong wants an international agreement for forced *repatriation of those who* do not volunteer to go home. The first batch of 75 volunteers returned to Vietnam last month and another group of about 180 is now being prepared.

But these volunteers are far outnumbered by the new arrivals.

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OVERSEAS NEWS

Moscow decree strengthens farmers' rights to land

By John Lloyd in Moscow

SOVIET farmers have regained the right, absent since the collectivisation of agriculture in the late 1920s, to pass their land on to their children.

It is made explicit in a decree from the Supreme Soviet, published yesterday, which gives a legal base to the decisions of the Communist Party central committee plenum on agricultural reforms last month.

The decree aims to stimulate an extensive movement towards lease-holding as a dominant form of ownership in the countryside – an admission that the system of state and collective farms cannot provide sufficient foodstuffs.

The 19-clause decree is clearly designed to encourage private farming as far as possible within a residual framework of state ownership. Although the suggested span of leases is between five and 50 years, leases for a longer or shorter period are not ruled out. Any individual or group can lease land, buildings, factories, means of transport and other enterprises and the owners of the land – whether it be the state or a collective farm – cannot refuse to lease unless they have good grounds for doing so, though the property will remain, ultimately, state property.

The lease contractor will own all the produce of the land he rents. He will have the right to renew the lease at the end of it; if he does not, the first refusal of renewal passes to the members of his family or to his co-workers on the land. In the event of his death, the lease may also pass to his family or to his co-workers provided they actually work the land.

The leasor can claim compensation for any improvements made to the land or buildings and must be provided with technical and other assistance by the leasee. He has the right to sell his produce as and where he wishes and to do what he likes with the proceeds.

Although the authorities hope that the new property relations will take off immediately, the decree is in the nature of an experiment. The results of what it permits will be studied and used to frame a more comprehensive law on leasing due to go before the new Supreme Soviet not later than July 1 1990.

The decree appears largely to satisfy those who called for freedom for farmers to take over their own plots. However, as important as the decree's terms is the willingness and ability of collective farmers to break with nearly 60 years of a system which has remoulded the peasantry into an agricultural proletariat and where rural infrastructure of every kind is poor in most areas. Many experts – Soviet as well as foreign – are sceptical that the arrangements will have much effect on food production before the middle of next decade.

Italy moves to stamp out money laundering

By John Wyles in Rome

THE Bank of Italy has taken more steps to halt the recycling of criminal funds through the Italian banking system, in the wake of a new international initiative agreed by 12 leading industrial and financial countries.

As well as urging all Italian banks to apply the principles agreed in December by the Basle Committee for Banking Regulation and Control, Mr Carlo Azeglio Ciampi, governor of the Bank of Italy, has taken a lead in warning that the international financial system may become "polluted" by dirty funds and by calling for common action to deal with the problem inside the EC.

He told the Italian parliament's anti-Mafia committee last week that the huge profits made by organised crime from drug trafficking were threatening "to compromise civil order and the development of entire regions and states."

He said countries such as France, West Germany and Japan had not passed any national laws to combat the recycling of funds through the banking system and it was essential, given the move towards freeing all capital movements from July next year, for the EC to fix common regulatory standards to deal with the problem.

The Bank of Italy's recommendations to the banking system are in line with the Basle Committee's international guidelines and build on existing legislation to ensure the identification of individuals involved in cash transactions worth more than L20m (£8,500). It urges that the practice of close identification be extended to all "operating sectors", including those facilitating anonymity.

The central bank also issues a reminder that there are no legal limits on judicial access to banking information in Italy and urges Italian banks to take the initiative in calling in the magistrates in cases of suspected recycling. It adds that individual banks must take steps to train their staffs properly and to strengthen their internal controls on cash management.

Solidarity begins poll preparations

By Christopher Bobinski in Warsaw

SOLIDARITY's preparations for national elections in Poland in June began in earnest at the weekend with the establishment of a civic committee in Warsaw which will ultimately choose candidates and co-ordinate their campaign.

Solidarity supporters in the provinces were also told by the national leadership to propose candidates for acceptance by the committee and then organise a campaign.

The movement has to put up 100 candidates for the open election to the senate and 160 candidates for the 35 per cent of the seats in the sejm, the lower chamber, which the authorities have allocated to the opposition.

Despite moves to have Solidarity recognise the right of opposition groups outside the movement to have a say in the choice of candidates, the list is to be controlled by Mr Lech Walesa and his advisers.

Soviet voters take part in second round of elections

By John Lloyd

ELECTIONS to fill a further 64 seats in the new Soviet parliament were held in the Soviet Union yesterday amid indications that the first round has strengthened the hands of popular front movements in the republics, especially in the Baltic.

The voting was confined to constituencies where three or more candidates had stood and where none succeeded in winning more than 50 per cent of the vote. Under the new electoral rules, the top two candidates ran off against each other.

In Moscow, Mr Roy Medvedev the former dissident historian, is thought likely to win his election. Mr Medvedev finished first in a field of six in the first round with 35 per cent of the vote.

Two other radical figures – Mr Yuri Chernichenko, an economist and advocate of radical agricultural reform, and Mr Sergei Stankevich, an historian backed by the "democratic socialist" Moscow People's Front – are fighting again for seats in the capital and tipped to win.

In the Baltic states, candidates backed by the various pro-autonomy movements have succeeded in gaining the majority of parliamentary seats. The Lithuanian movement, Sajudis, was particularly successful with 31 of its 42 candidates elected.

The larger number of seats still to be filled – nearly 200 – will be reballoted on May 14. In these seats, where one or two candidates stood and none managed to obtain 50 per cent of the vote, new elections will take place, usually with new candidates.

The final group of still-vacant seats are those still to be filled by the various organisations with the right to elect deputies – including the Academy of Sciences where a struggle continues to elect Dr Andrei Sakharov, the dissident and physicist.

Stoltenberg may lose finance portfolio in Bonn reshuffle

By David Goodhart in Bonn

MR Gerhard Stoltenberg may lose his job as West German Finance Minister in the cabinet reshuffle which Mr Helmut Kohl, the Chancellor, hopes will revive his flagging centre-right coalition government. Details are expected early this week.

Although Mr Stoltenberg's domestic standing has risen considerably from a low point in the middle of last year, thanks to the strength of the economy, it appears that he will have to make way for Mr Theo Waigel, chairman of the Christian Social Union, the sister party to Mr Kohl's Christian Democrats.

Mr Kohl will, however, want to reward Mr Stoltenberg's loyalty and, in the absence of a senior international financial post becoming available, he is almost certain to take another senior Cabinet position.

Mr Rupert Scholz, the Defence Minister, and Mr Friedrich Zimmermann, the Interior Minister, are rumoured as likely to lose their jobs or face demotion. Possible candidates for higher office are Mr Wolfgang Schaeuble, head of the Chancellor's Office, and Mr Juergen Moellemann, the Education Minister. Any reshuffle will, as always, be complicated by the need to retain the balance of power between the three coalition parties.

Mr Kohl faces the impossible task of trying to stem the loss of voters to the far-right Republican Party without alienating the centre. Mr Heiner Geissler, the liberal general secretary of the Christian Democrats who is blamed by many on the right for recent electoral losses, may swap his party job for a place in the Cabinet.

Mr Kohl will also be trying to sharpen his government's presentation and Mr Friedhelm Ost, the main government spokesman, may be replaced. A poll published yesterday, however, claims that 77 per cent of voters think that a change of faces in the Government is not enough.

SHIPPING REPORT

Rates fall for most classes

By Kevin Brown, Transport Correspondent

OWNERS faced renewed problems last week as the volume of tonnage fixed in the principal loading area fell sharply, followed by rates for most classes of ships.

London brokers said only 10 very large and ultra large crude carriers had been fixed in the Middle East Gulf, representing around 2.7m deadweight tonnes. This compared with 4.25m dwt fixed in the previous week.

Around 60 VLCCs and ULCCs with an aggregate capacity of some 17m dwt are thought to be available for fixing in the Middle East Gulf this month.

Among reported fixtures, a ship of 280,000 dwt was fixed to the US Gulf at New Worldscale (NWS) 33.5 with the option of UK/Continent discharge at NWS 36 and the Mediterranean at NWS 35. A vessel of 215,000 dwt was fixed to the East at NWS 36 and a ULCC was fixed at NWS 32.99 to Brazil.

Elsewhere, several VLCCs were fixed from the North Sea, Mediterranean and West Africa but some owners were said to be keeping ships in port rather than accept-single voyage fixtures providing insufficient returns to cover daily running costs.

Demand was stronger for ships of around 130,000 dwt, especially in the North Sea and West African loading areas where such tonnage was in short supply.

Opinions of Hitler not all negative poll shows

By David Goodhart

MORE than 25 per cent of West German voters have either a neutral or positive view of Adolf Hitler, according to a poll commissioned by Der Spiegel magazine for a special issue to mark the 100th anniversary of his birth on April 20 1889.

The poll, conducted by the Emnid Institute among 2,200 people, registered attitudes to Hitler on a scale from plus five to minus five. Thirty six per cent of respondents rated Hitler as an absolutely negative figure at minus five but 14 per cent gave him a positive register and a further 12 per cent a zero.

The poll also found that while only 3 per cent of respondents said the National Socialist period was clearly positive, 43 per cent thought it had both good and bad aspects. A further 38 per cent of those polled said that without the Second World War and murder of the Jews Hitler would have been a great German statesman.

The persistence of anti-semitic attitudes in West Germany was revealed by the poll but only 17 per cent of respondents think there is a possibility of a new Hitler.

Although respect for Hitler remained high immediately after the war it seemed to die down in the 1970s. The poll will thus increase anxiety about a resurgence of the far-right.

Takeshita 'to explain funding from Recruit'

By Ian Rodger in Tokyo

JAPAN'S Prime Minister, Mr Noboru Takeshita, fighting for his political life, said yesterday he would publish a report today explaining various contributions totalling more than Y100m (£450,000) that he had received from the Recruit publishing group.

Disclosure last week of huge contributions to Mr Takeshita's political support organisations from Recruit in 1986 and 1987 brought forth a chorus of calls for his resignation, not only from Opposition leaders but also from a few people within the ruling Liberal Democratic Party (LDP).

Investigations into a massive campaign of influence buying in business and government circles by the Recruit group have been underway for several months.

However, Mr Takeshita reiterated yesterday that he had no intention of resigning or calling a general election. He said it was his responsibility to achieve major political reforms as soon as possible.

WORLD ECONOMIC INDICATORS

TRADE STATISTICS

		Feb.'89	Jan.'89	Dec.'88	Feb.'88
UK (£bn)	exports	6.829	7.373	6.902	6.207
	imports	9.025	9.471	8.665	8.588
	balance	-2.196	-2.098	-1.763	-2.351
Japan (US$bn)	exports	23.635	23.722	22.208	20.963
	imports	13.486	14.548	13.749	12.792
	balance	+10.149	+9.174	+8.729	+8.171
France (FFrbn)	exports	93.100	94.600	86.742	74.609
	imports	93.500	97.200	91.509	79.986
	balance	-0.400	-2.600	-4.767	-5.379
		Jan.'89	Dec.'88	Nov.'88	Jan.'88
US ($bn)	exports	27.802	29.062	27.542	24.488
	imports	37.290	40.052	38.200	34.258
	balance	-9.488	-10.990	-10.658	-9.770
W. Germany (DMbn)	exports	53.260	51.060	49.710	41.490
	imports	39.660	40.130	37.620	30.590
	balance	+13.600	+10.930	+12.090	+10.900

Gaullist rebels outvoted but win public support

By Ian Davidson in Paris

THE leadership of France's right-wing Gaullist RPR party moved swiftly and in force over the weekend to head off the rebellion by young Gaullists which has broken out into the open in the past 10 days.

At an urgently summoned meeting of the 400-strong National Council of the RPR, the party leadership secured an overwhelming majority vote in support of its strategy for fighting the coming elections to the European Parliament.

Formally, the 87 per cent majority vote ought to be a conclusive victory for the old-guard Gaullist hierarchy, led by Mr Jacques Chirac, against Mr Michel Noir, former Trade Minister and new mayor of Lyon. In practice, the fact that 13 per cent of the Gaullist deputies and party dignitaries voted for Mr Noir and his reformist allies shows that the rebels are far from isolated.

Moreover, a public opinion poll published yesterday gave the reformers majority support among the public at large, and an even larger majority support among conservative voters. Gaullist voters give Mr Noir 55 per cent support, while voters for centre-right parties in the UDF umbrella grouping give him 61 per cent support.

In any case, it has now become impossible to suppress the struggle for the control of the party, which was bound sooner or later to follow Mr Chirac's stunning defeat in last year's presidential election, and which has been brought into the open by Mr Noir.

The ostensible quarrel between the old guard and the rebels is over the best way for the Gaullists to join forces with the other conservative parties in fighting the June elections to the European Parliament. Mr Chirac's strategy, endorsed by the Gaullist National Council, is to mobilise a joint list of candidates under the leadership of former President Valéry Giscard d'Estaing, head of the UDF.

Mr Noir argues, with reason, that this strategy will not succeed in uniting all the opposition parties behind a single list of candidates, because the centrist CDS party refuses to line up behind Mr Giscard d'Estaing and Mr Chirac.

For reasons of form and party loyalty, the reformers pretend that their attack is aimed at the figure of the *leader of the UDF*. In reality, their target is the old-established leadership of the Gaullist party, which they regard as the main obstacle to forming a more broadly united group of conservative parties.

The difficulty for the rebels is that their analysis appears to be shared by most Frenchmen, but not by supporters of the Gaullist party. In yesterday's poll, 71 per cent of Gaullist voters thought Mr Chirac should continue to lead the party, and 61 per cent said that he should once again be the party's candidate in the next presidential election in 1995, whereas 53 per cent of all voters said he should give way to a younger figure.

Rifts on the right

Ian Davidson reviews the challenges facing Chirac as "Young Conservatives" take on the old guard

WHEN François Mitterrand swept to a crushing victory over Mr Jacques Chirac in last year's presidential election, he was critically helped by the divisions, the rivalries and the incoherencies between France's conservative parties.

And when the scale of his victory sank in, it seemed the conservatives were doomed to a long period in the wilderness, unless they could engineer a radical restructuring on the right of the political spectrum.

Last week it began to look as if the first, experimental gestures in the direction of such a restructuring could now be on the cards.

The major handicap of the conservative opposition is that it is divided into a number of rival parties: a comparatively large Gaullist RPR party led by Mr Chirac, roughly balanced by a number of smaller traditional conservative and liberal parties, loosely grouped in a federal arrangement called Union pour la Démocratie Française (UDF), under the leadership of former President Valery Giscard d' Estaing.

Inevitably, because of its size, it is the Gaullist party which holds the key to any effective restructuring of the constellation on the right. But under the shock of his massive defeat, Mr Chirac appears to have been demoralised and inert, while the party has been paralysed by a three-way internal squabble over where the party went wrong and what it should do.

The ultra-traditionalist Gaullists, like Charles Pasqua, the former Interior Minister, believe the party should broaden its electoral base by reviving the populist (and deliberately nationalist) roots which were the basis of General de Gaulle's appeal.

Modernisers, like Edouard Balladur, the former Finance Minister, believe the RPR should become more like other conservative parties, and should form close federal links with liberal parties in the UDF. But the young stars see the solution in a change of generation.

Chirac: "demoralised"

It is this third group, epitomised by Michel Noir, the former Trade Minister, who recently scored a spectacular victory in the municipal elections in Lyon, which is now raising the ante in the struggle for the Gaullist party, with an overt challenge to the leadership of Mr Jacques Chirac.

At this stage, the challenge is being framed in terms of a rejuvenated electoral strategy for the forthcoming elections to the European Parliament, which take place in June. Mr Chirac has been pressing the case for an electoral alliance between the Gaullists and all the other conservative parties in the UDF umbrella grouping.

The main obstacle to his plan is that the centrist (and strongly pro-European) CDS party, led by Mr Pierre Méhaignerie, deeply distrusts the Gaullists' late conversion to Europe, and refuses to be identified with them in the European elections. It will campaign with the other parties in the UDF, or it will campaign on its own: it will not campaign with the Gaullists.

The new twist in this debate is the proposal, launched last week by a centre-right supporter of Mr Raymond Barre, and now spreading among prominent young Gaullists, that the European circle can be squared by mustering a list of young reformers from *all* the conservative parties as candidates in the election.

The argument is that it is the old guard in the Gaullist party, with their links to de Gaulle's anti-European prejudices, who are the obstacle to a united list reaching from the CDS to the Gaullists: but younger Gaullists like Michel Noir, or Philippe Seguin (former Social Affairs Minister), or Dominique Baudis (mayor of Toulouse), are not tainted by such historic hang-ups.

Mr Alain Juppé, who was appointed secretary general after the election, has introduced a number of reforms to bring the party machine up to date and make it more democratic. But the implication of the new challenge by "Young Conservatives" is an outright rejection of the old leadership, and in particular a rejection of Mr Chirac.

The party taboo on Mr Chirac's future was first broken last summer by one of today's young Gaullists, Mr Philippe Seguin, when he told a French news magazine that the party had other things to do than organise Mr Chirac's Presidential campaigns.

More significantly, Mr Chirac's position has also come under oblique challenge by Charles Pasqua, a baron of the old-guard leadership, who suggested in February that Mr Chirac should give up the presidency of the RPR, ostensibly in order to become a man of the entire nation, rather than just a man of the party.

Mr Juppé's initial reaction to the idea of a European campaign by young conservatives has been extremely defensive. He is not against the idea, he says, but on three conditions: first it must be a campaign for Europe – "and none of the promoters of the idea has spoken of Europe"; it must not appear to be an anti-party operation – "that is a dangerous game in democracy"; third, it must not be presented as a list of the young against the old.

It is not clear how far the European-list idea will get; it is clear that the challenge of the young against the old in the Gaullist party is now out in the open.

Britain absent from fishing talks

By Peter Bruce in La Toja, Galicia

AN INFORMAL two-day meeting of European Community fisheries ministers got off to a shaky start here yesterday when Mr John MacGregor, the UK Secretary of State for Agriculture and Fisheries, failed to appear.

It had been hoped that the meeting might pave the way for Spain and Britain to settle their bitter row over a British ban on Spanish-owned trawlers which fly the British flag fishing in UK waters.

There was some irritation among Spanish officials – and indignation in the press – at Mr MacGregor's absence. It was suggested that the British were trying to duck the issue.

Disappointment at Mr MacGregor's absence was also sharpened by the fact that he was already in Spain late last week, visiting an agricultural show in Zaragoza.

Both the House of Lords and the European Court are studying the UK Government's ban, imposed this year under the Merchant Shipping Act.

Some 100 Spanish trawlers, all from Galicia, have been fishing under the UK flag for years and selling their catch at high prices to an eager Spanish market. The 70 trawlers operating in UK waters out of La Coruña landed fish worth Pta 10bn (£50m) last year. Merluza (hake) the main catch, is sold for about Pta 1,000 a 'kilo' in Spain, five times more than in Britain. The Spanish say the ban puts 5,000 jobs at risk.

The Spanish fear the UK action could affect dozens of other trawlers fishing under foreign flags and it has been suggested that some agreement might be reached whereby the trawlers sell their catch in Britain, although this would be much less profitable.

In Mr MacGregor's absence the remaining ministers are likely to focus on ways to continue cutting the Community's Atlantic fleets to match a dwindling supply of fish and on ways to guarantee supply from third countries after 1992.

Upbeat report on French economy

By Ian Davidson in Paris

The French economy is continuing to show much greater vigour than the authorities had calculated barely six months ago, and the Government has now upgraded both its calculation of last year's performance and its forecasts for the next two years.

In a strikingly upbeat annual assessment of the state of the economy, the Government now reckons that last year's growth rate was as high as 3.6 per cent, and forecasts that the economic upswing which started in 1987-88 will be sustained for the next two years, even if at a gently declining pace, as a result of a slowdown in the international economic environment.

For 1989 the Government forecasts a growth rate of 3.1 per cent, followed by 2.7 per cent in 1990. The Government's forecast is rather more optimistic than those of the IMF and the French independent economic institute OFCE, both of which predict growth this year of 2.8 per cent.

Similarly, the Government predicts that the rate of price inflation will continue to decline, to 2.6 per cent this year, compared with 2.7 per cent in 1988 and 3.1 per cent in 1987; whereas OFCE forecasts an acceleration in the rate of inflation to 3.2 per cent, and the IMF to 3 per cent.

The most worrying black spot in the French economy, the foreign trade deficit, is not expected to show any immediate improvement, according to the government's latest forecasts. Last year it rose slightly from FF31.6bn ($10.2bn) to FF33bn, and the government now expects a further deterioration to FF35bn this year, followed by a slight improvement to FF30bn in 1990.

However, the government firmly rejects the recommendations, now being advanced by some independent economists, that the trade deficit and the growth of consumer spending suggest a degree of over-heating which calls for extra deflationary measures.

The Finance Ministry claims that the growth of the economy is entirely healthy, since it is being powered by industrial investment, industrial production, and exports, and it underlines the fact that economic growth is being accompanied by a continuing improvement of the inflation rate in France relative to that of its main competitors.

The inflation-gap between France and Germany declined from 2.1 per cent at the end of 1987 to 1.5 per cent at the end of last year and 0.8 per cent at the end of February, its lowest level since 1973. In the broader European context, the French inflation rate is now 1.5 per cent below the Community average.

The Government also paints a lyrical picture of the recovery of French industry, which has been expanding its production faster than the GDP (by 5 per cent), and has been investing at a very rapid rate (11 per cent in volume), with an improvement in productivity of over 10 per cent over the past two years.

Behind the weakness of the trade balance, there has been a strong reorientation of French exports to the markets of the industrialised countries.

Tass puts nuclear submarine toll at 42

By Robert Taylor in Oslo

FORTY-TWO sailors died when their nuclear-powered submarine sank in icy seas 300 miles off the Norwegian coast on Friday, but safety measures aboard prevented nuclear contamination, the Soviet news agency Tass said yesterday.

Tass said the vessel's armaments included two nuclear torpedoes, designed to withstand the intense pressure of immersion in deep water. The submarine's nuclear reactor was shut down before the vessel sank, it reporter.

The Norwegian Defence Minister, Mr Johan Jorgen Holst, said yesterday that experts intended to take further radiation tests today in the area. He felt "pretty confident" that these, like extensive deep water and air tests in the area over the weekend, would reveal no traces of nuclear fall-out.

According to the Defence Ministry, the fire started at around 9.40 am on Friday and it sank at 3.15 pm. However, it was not until 12 more hours had passed that President Mikhail Gorbachev told Norway's Prime Minister, Mrs Gro Harlem Brundtland, as well as President George Bush and Mrs Margaret Thatcher, what had happened.

The area of the accident is of enormous strategic importance to the Soviet Union and the Western powers in the approaches to the North Atlantic.

Mr Holst said he had been informed about an incident at 3.30 pm on Friday, though it was unclear at that stage what had happened. Norway sent aircraft to the area but the Soviet survivors refused their assistance and waited in life rafts to be rescued by Soviet ships in the area.

The Western authorities believe that the Mike submarine is capable of carrying Cruise missiles but think that on this occasion it had SSN-15 anti-submarine nuclear missiles on board.

Sinking of a prototype

By Kevin Brown, Transport Correspondent

THE Soviet submarine which has sunk off Norway is the only one of its class, dubbed Mike by Western navies. It was launched at Severodvinsk in May 1983, and entered service in 1984.

Defence analysts believe Mike is a titanium-hulled development of the earlier Alfa class vessels, probably built to test design and propulsion developments.

The Alfa class was regarded as a breakthrough in the design of Soviet attack submarines, with much improved propulsion, high speeds and the ability to dive to great depths. Only six were built, however, and most of the improvements are thought to have been included in the prototype Mike class boat.

Mike has a number of special features, including an unusually large distance between the inner and outer hulls, which could represent an important advance in silencing and damage resistance.

It is powered by two liquid metal cooled nuclear reactors. This design, not used in the West, is said to provide more power than conventional reactors while using less space – an important factor in the cramped quarters of a submarine.

Mike is a medium-sized boat, 360 metres long, displacing 6400 tons, with a crew of 95, and a speed of 38 knots.

US chip makers fear for sales after 1992

Louise Kehoe reports on concern about possible European trade restrictions

US semiconductor makers have raised concerns about development of new trade restrictions in Europe as the European Community moves toward its "single market" objective in 1992.

While acknowledging that it is too soon to conclude that a "Fortress Europe" is being built in the electronics sector, the US industrialists say the current trends are "not promising" and have urged the US Congress to monitor the situation closely.

Europe is the largest export market for US semiconductor makers, with 1988 sales of $3.7bn (£2.1bn), or almost 49 per cent of total European semiconductor consumption. Maintaining open access to the European market is therefore a high priority for the US industry, which has until recently focused most of its attention on trade problems with Japan.

US chip makers have already lost sales in Europe as a result of recent "country of origin" and "domestic content" rules covering both semiconductors and the end products that contain semiconductor chips, according to recent congressional testimony presented by the US semiconductor Industry Association, an influential industry trade group.

Most worrisome, say the US chip makers, is "the trend toward increased use by the European Community of non-tariff trade barriers to achieve... protection and promotion of European electronics industries."

The US industrialists fear the EC is creating a situation in which international trade will be diminished by regulations that promote local manufacturing. This, they suggest, will have a broad impact upon US industries and companies that do not now have manufacturing plants in Europe.

Of particular concern to the US companies are situations where local content rules are applied to products containing semiconductors.

These rules create incentives for Japanese as well as European manufacturers not to design American-made chips into their products, the US chip makers claim.

A recent example of how the problem may arise was offered by the SIA. According to the trade group, a Japanese printer maker recently told its US chip supplier that to avoid dumping duties on its printers assembled in Europe under the EC's "screwdriver assembly" regulation, it must "design out" US semiconductors so that circuit boards going into its printers will be counted as EC-origin rather than Japanese-origin products.

Local content regulations appear to be multiplying as a result of discussions surrounding allegations of Japanese dumping of various types of products in Europe, US industry officials say. They see this as a dangerous trend.

"The practical result", in this and similar cases, "is that several US companies have already been dropped by Japanese customers in favour of EC sources," the US trade group complains.

"We are concerned that there will be an increasing number of restrictions such as these in connection with the entire 'Europe 1992' initiative," says Michael Maibach, director of government affairs for Intel Corporation, speaking on behalf of the SIA.

Also creating problems for US chip makers are new rules defining the country of origin of semiconductor chips according to the location of the wafer fabrication plant where a chip is processed. Previously, the country in which the final stages of chip production are performed was considered the country of origin.

Japanese chip makers have been quick to react to this change by announcing plans for new factories in Europe. While some US chip makers are expected to follow suit, many will not be able to afford the big investments required. The industry also raises concerns that such decisions should be based upon economic considerations, rather than upon government regulation.

"A domestic content policy – which both the EC Commission and the US Government are on record as opposing – would put pressure on US companies to increase their manufacturing investments and technology transfers to the EC, regardless of whether competitive considerations would support such decisions," says the SIA, "with adverse implications for the US economy and the US industry's global competitiveness."

Kodak and Olivetti combine in optical disk venture

By Louise Kehoe in San Francisco

EASTMAN Kodak of the US and Italy's Olivetti have formed a joint venture to develop optical disk drives for personal computers. Optical disks are a new medium for computer data storage that promises significantly higher storage capacity than the magnetic disks now used.

The agreement between Kodak and Olivetti will give the companies majority ownership of Laserdrive, a privately-held California company, now controlled by Olivetti, that is in the forefront of optical disk development. Kodak and Olivetti will each own just over 40 per cent of the company.

Under the agreement, Kodak and Olivetti will combine on a programme already under way at Verbatim, a Kodak computer disk subsidiary, aimed at developing 3½-inch erasable optical disks.

Laserdrive will make and market future products based on Verbatim's technology and will continue to offer existing Laserdrive optical storage systems products.

"We expect the market for optical storage to show dramatic growth in the near-to-medium-term future," commented Mr Elserino Piol, Olivetti executive vice-president for strategy and development.

Long haul to reform West German road transport policy

The power of the country's haulage industry is impeding EC liberalisation, writes **David Goodhart**

WEST Germany's tiny road haulage industry has more lobbying power in Bonn than the country's giant motor manufacturing interests, according to one transport industry executive. This legendary power – which stems in part from the 1919 Treaty of Versailles – is one reason for continued stalemate in progress towards the full liberalisation of the EC's road haulage system.

It is now possible that as the EC opens up its market for industrial and consumer goods after 1992 the lorries that carry them will, perversely, find crossing national boundaries more complex and expensive than ever before. The dominance of producer (haulier and railway) interests in the formation of German transport policy is certain to attract a lot of the blame.

Road transport is the classic case of a protected German service industry that will lose out, at least initially, from liberalisation. Operating a 38-ton truck in West Germany costs about DM214,000 (£67,000) a year, or nearly 1 per cent more than in the Netherlands, according to Prognos, the Swiss research group.

German hauliers not only bear nearly the heaviest vehicle and fuel taxes in the EC but are also on average less than one-third the size of the Dutch companies, which carry 72 per cent of German-Dutch trade. The average German company has between one and five lorries and does virtually

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no cross-border business; the average Dutch company has 14 and does plenty of it.

The reason for this goes back to a government decree of 1931, still in use, which specified the precise number of haulage companies to be licensed and curtailed competition between them by fixing tariffs for the carriage of all goods.

Consequently, of today's 45,000 hauliers (with a collective annual turnover of about DM12bn), only 9,000 are licensed for long-distance work within Germany and none of them faces domestic price competition.

This system was initially imposed against the wishes of hauliers in order to protect the freight traffic of the Reichsbahn (German railway), whose profits were used to pay the reparations imposed under the Treaty of Versailles which ended the First World War.

Sixty years later the hauliers – at least the majority of smaller companies – have become addicted to their stable environment and see no reason to change. The Bonn Finance Ministry, which already pays DM14bn a year in subsidies to the railways, would have to fork out DM2bn a year more if road haulage was allowed to compete properly; it is not therefore clamouring for reform.

Despite this, the industry has not been able to stop the EC forcing a gradual increase in the penetration of lower-cost foreign companies (primarily Dutch and Belgian) into the German market, at least for quota-controlled cross-border business. One result is that Rotterdam, for many years the biggest port for German exports, has taken more and more work from Bremen and Hamburg.

Transport users, represented by the Federation of German Industry, welcome such reform and want to push it even further. The Government is caught between the haulage and rail lobbies on the one hand, and its desire to retain its reputation as one of the most powerful liberalising forces on the way to 1992 on the other.

To the surprise of some observers the Government did finally concede last June that the number of country-to-country quotas, still required for most intra-EC trade, should be more than doubled in the next two years and then abolished completely by 1993.

This concession was, however, less than it appeared, as the Germans were likely to be outvoted anyway. The following September it announced a new road tax, to run for at least four years from next January, for all lorries using German roads.

This tax – about DM6,000 a year – is aimed at foreign lorries, but as discrimination against foreign lorries is not allowed by the EC they have had to apply it to German lorries too. Craftily, however, the German vehicle excise tax is being reduced from DM10,500 a year (second highest in the EC) to about DM4,000; so in effect the domestic industry will pay nothing.

The Commission was furious at this ploy, which is likely to provoke retaliation by other countries if legal action against Germany proves fruitless. The Germans claim to be defending not just their domestic industry but two principles that the Commission itself now supports: harmonisation of road taxes; and the "territoriality" principle that lorries should as far as possible pay for the costs they create where they create them.

The Germans have long insisted that there should be no liberalisation without tax harmonisation.

"Salaries and other benefits cannot be harmonised but state taxes can be. Without harmonisation the Dutch Government could decide to abolish road taxes to help their companies dominate the European industry," says Mr Christoph Hinz of the Transport Ministry in Bonn.

But the Germans, here as elsewhere, do not simply want to agree a middle point between the differing tax regimes. They want harmonisation at an "appropriate" level, according to Mr Hinz. In other words at a high level, close to their own and far too high for the Dutch.

"We do not want to reduce our taxes by two-thirds and provide an enormous stimulus to the lorry industry. We believe that the environment and, yes, the railway industry should be taken into account," says Mr Hinz. He says that even now German lorries cover only about 70 per cent of the costs they create through the taxes they pay.

On the territoriality principle, West Germany also resents the fact that some other countries have motorway tolls, while it does not, and that it has to bear a higher proportion of through traffic than most other countries. The Transport Ministry estimates that foreign lorries currently cover only about 9 per cent of the costs they create as they thunder down the autobahns. The Ministry wants to increase that to 25 per cent.

The territoriality principle is accepted also by the UK, France, Italy and Spain, but is strongly opposed by those who would suffer most from it – the Benelux countries and Denmark. The trouble is that even if the principle is accepted it will be difficult to police properly a "pay-as-you-go" system without border controls.

Compromises on both tax harmonisation and territoriality look far off. The Commission has made tentative proposals for an EC-wide road levy that would replace different tax regimes, and there are various ideas for monitoring "pay-as-you-go" through electronic systems (even satellite observation) or police spot checks; but little progress has been made.

Agreement is still possible and, indeed, has been achieved in technical and driving-hours harmonisation. However the debate is complicated even further by the issue of cabotage. This gives hauliers registered in an EC country freedom to do business between two points *within* any other EC country. It should make it easier to avoid returning from a long trip with an empty lorry by doing several short hauls on the way back; currently more than 35 per cent of all lorries on EC roads are running empty.

The Commission wants cabotage by 1993. The Bonn Government faces intense pressure to reject it from the smaller hauliers, who will be far more effected by cabotage than by the abolition of quotas. Their association says nearly half of all German companies will be driven out of business.

The Government may be forced to accept the principle of cabotage, especially as the Commission will press the environmental protection aspect of more efficient haulage. But Bonn will then probably try to impose the fixed tariff system (still administered and up-dated by a 300-strong office in Bonn) on foreign lorries too; although how it will achieve this is a moot point.

Some believe that Dutch and other foreign competitors will beat the small German companies – even with fixed tariffs – by offering more comprehensive services.

Mr Willem van den Toorn of the Dutch Embassy in Bonn is more sceptical, saying the Germans will catch up fast once they face competition on their home patch.

Also, he says, Dutch labour costs are slightly higher, a point usually missed out of cost comparisons.

The bigger European transport concerns seem relatively indifferent to the political arguments as they busily internationalise, vertically integrate, and establish their electronic logistics systems.

Indeed, a German-based transport company, Kühne & Nagel, was named as the company best prepared for the single market in a survey of all sectors by the management consultants Roland Berger.

The stimulus for the big groups is the 30 to 50 per cent increase in inter-EC trade expected by the year 2000. As road taxes represent less than five per cent of costs and the larger companies have to be based in all the largest countries anyway, they are wisely leaving the subtle and frustrating disputes over harmonisation and territoriality to others.

UK NEWS

Detectives fly to Egypt to start al-Fayed inquiry

By Tony Walker, in Cairo

TWO Scotland Yard detectives began yesterday what promises to be difficult inquiries in Egypt into the affairs of the Egyptian-born al-Fayed brothers who are at the centre of a row over the takeover in 1985 of the House of Fraser stores group.

Detective Inspector Graham Gooch of New Scotland Yard's Company Fraud Department is leading the investigation that will focus on the extent of the al-Fayed's business interests in Egypt, and especially in Alexandria, the brothers' birthplace.

The British detectives, who arrived in Cairo on Saturday are being assisted by the Egyptian police in their efforts to assess the substance of the al-Fayed's claims that they came from a wealthy shipowning Alexandrian family. The brothers have insisted that they funded the House of Fraser takeover substantially from their own resources.

Mr "Tiny" Rowland, the Lonrho head who has fought a long campaign against the al-Fayed takeover, has repeatedly challenged these claims. The al-Fayeds won control of the House of Fraser in March, 1985 with a bid of £615m after Lonrho had sold them its own 29.9 per cent in the stores group.

The British policemen are engaged in a highly sensitive mission. Initially, they are being assisted by the Egyptian division of Interpol. They will also be dealing with officials of Egypt's Interior and Justice Ministries.

The investigations are expected to include interviews with business associates of the al-Fayeds and possibly with family members. One of the brothers, Salah al-Fayed, lives in Alexandria.

The police inquiries will retrace some of the ground covered in a Department of Trade inspectors' report, the leaking of which prompted the renewed investigations.

The Serious Fraud Office originally decided not to prosecute the Fayed brothers after it received the inspectors' report but later an inquiry was begun.

The SFO concluded that it would take at least 12 months, and more likely 18 months, before the police inquiries could be completed.

Dockers set for strike ballot over legislation

By Charles Leadbeater, Labour Editor

DOCKERS' leaders are this morning expected to set in train a major confrontation with the Government and employers by recommending a national ballot on strike action over the Government's plans to abolish the national Dock Labour Scheme.

The Transport and General Workers' Union 25-strong national dock committee will meet at the union's central London headquarters. It is thought almost certain the committee will recommend a delegate conference be convened later this week to sanction a strike ballot over the Government's bill published on Friday which would abolish the scheme.

The scheme, set up in 1947, gives the union an important role in regulating dock work, with the aim of providing dockers with employment security.

The committee meeting will be the first test of support for a strike. It is likely that dockers' leaders from the main ports not covered by the scheme , such as Felixstowe and Dover, will press for the ballots to be confined to the 9,400 dockers covered by the scheme. Employers believe the union would still get a small majority in favour of a strike if the 3,000 dockers at non-scheme ports were included.

Survey finds companies failing to react to dearth of job-seekers

UK companies face shortage of skills

By Fiona Thompson, Labour Staff

TWO out of three UK companies are already experiencing serious recruitment problems in the face of the decline in the number of school leavers, but managers are not taking the positive action needed to deal with the problem, according to a survey published today.

The survey of 2,000 employers was carried out by Blue Arrow Personnel Services. The research was aimed at identifying what action needs to be taken to combat the skill shortages expected in the mid-1990s, when there will be a shortfall of over 1m school leavers entering the jobs market.

The report finds that Britain's managers are intransigent. One in three personnel directors have difficulty convincing management to take a more flexible approach to recruitment, to consider alternative labour sources such as older workers and returning mothers.

Although many employers are willing to offer better pay and benefits to attract new staff, less than half are prepared to adapt their policies to include longer term solutions such as job sharing or part-time working.

Only 16 per cent operate job sharing, and then only for a few roles. Thirty-eight per cent said they were prepared to consider such an arrangement, but only if ready-matched job sharers were presented to them.

Part-time working was popular with 68 per cent of the responding organisations, but was usually confined to less than 10 per cent of the workforce and was not seen as a way to cope with recruitment problems.

A quarter of companies provided flexible working hours, but a third of these made such schemes available to only a small number of employees.

Only 14 per cent of employers are prepared to make specific provision for mothers with children, who represent Britain's largest untapped source of labour. Many give verbal encouragement but offer little in the way of tangible inducements, partly because time "lost" during pregnancy is seen as wasted investment.

Only one in 10 companies offers extended leave or career break schemes, despite the low level of investment involved. And a mere 9 per cent are prepared to consider them. Just 2 per cent offer workplace nurseries and only 19 per cent are prepared to make a direct contribution to child care allowances.

Although 85 per cent of employers are prepared to consider applications from older workers, few will actively target this group and 15 per cent remain openly hostile to it.

Recruitment in a changing world – employers and the skills shortages. Blue Arrow Personnel Services, 19 Buckingham Gate, London SW1

Satellite TV dishes installed at only one home in thirty

By Raymond Snoddy

TWO MONTHS after the launch of Mr Rupert Murdoch's Sky Television, there seems little mass excitement about the new wave of television with demand for dishes limited to one in 30 homes so far.

The modest achievements of satellite television are revealed in the first FT Satellite Monitor, a market research project which will look at the current level of interest in satellite television receiving equipment.

Telephone interviews with a weighted sample of more than 4,000 people in Britain, carried out in February and March, found a total of six large satellite dishes of more than one metre and five of the new small 60cm dishes needed for Astra channels such as Sky.

● In February and March 1989 Audience Selection on behalf of Kennington Research interviewed by telephone respectively 4,077 and 5,138 individuals aged 15 plus. The samples were weighted by sex, age, social class and tenure to be representative of the total population of Great Britain.

Union leaders meet Toyota for talks

By Our Labour Editor

SENIOR officials of the AEU engineering union, are today expected to meet executives of Toyota, the Japanese car manufacturer, for talks over the company's plan to build an assembly plant and an engine factory in Europe.

Mr Jack Whyman, and Mr John Weakley, who are both AEU executive councillors, will meet senior Toyota managers for talks in Tokyo over a possible union agreement.

The talks are likely to provoke protests from at least some of the other car industry unions which want to be recognised at the plants. The unions, MSF, the general technical union, the TGWU general workers union, the GMB general union, and the EETPU electricians union, as well as the AEU, are expected to meet the company in the UK within the next few weeks to discuss industrial relations.

Hotel group allows children at work

By John Gapper, Labour Correspondent

HOLIDAY Inn, the hotel group, is to experiment with allowing staff with school-age children to bring them to work, where they will be supervised and permitted to use hotel facilities such as swimming pools.

The hotel group, which yesterday launched a new recruitment initiative aimed at young people, is experimenting with evening supervision of employees' children as well as adding to its three nurseries.

The company intends to improve employee recruitment and retention. It currently has about 500 vacancies and last year had a staff turnover rate of 48 per cent among its 1,500 employees in 18 UK hotels.

Mr Stephen Mascilo, personnel director, said the company was making a series of initiatives to address staffing difficulties which it faced in common with other hotel and catering employers.

Union merger plan for 1.1m workers

By Charles Leadbeater, Labour Editor

LEADERS of the AEU engineering union and the EETPU electricians union are this week expected to approve a plan to gradually amalgamate the two unions to form a 1.1m strong union for skilled workers.

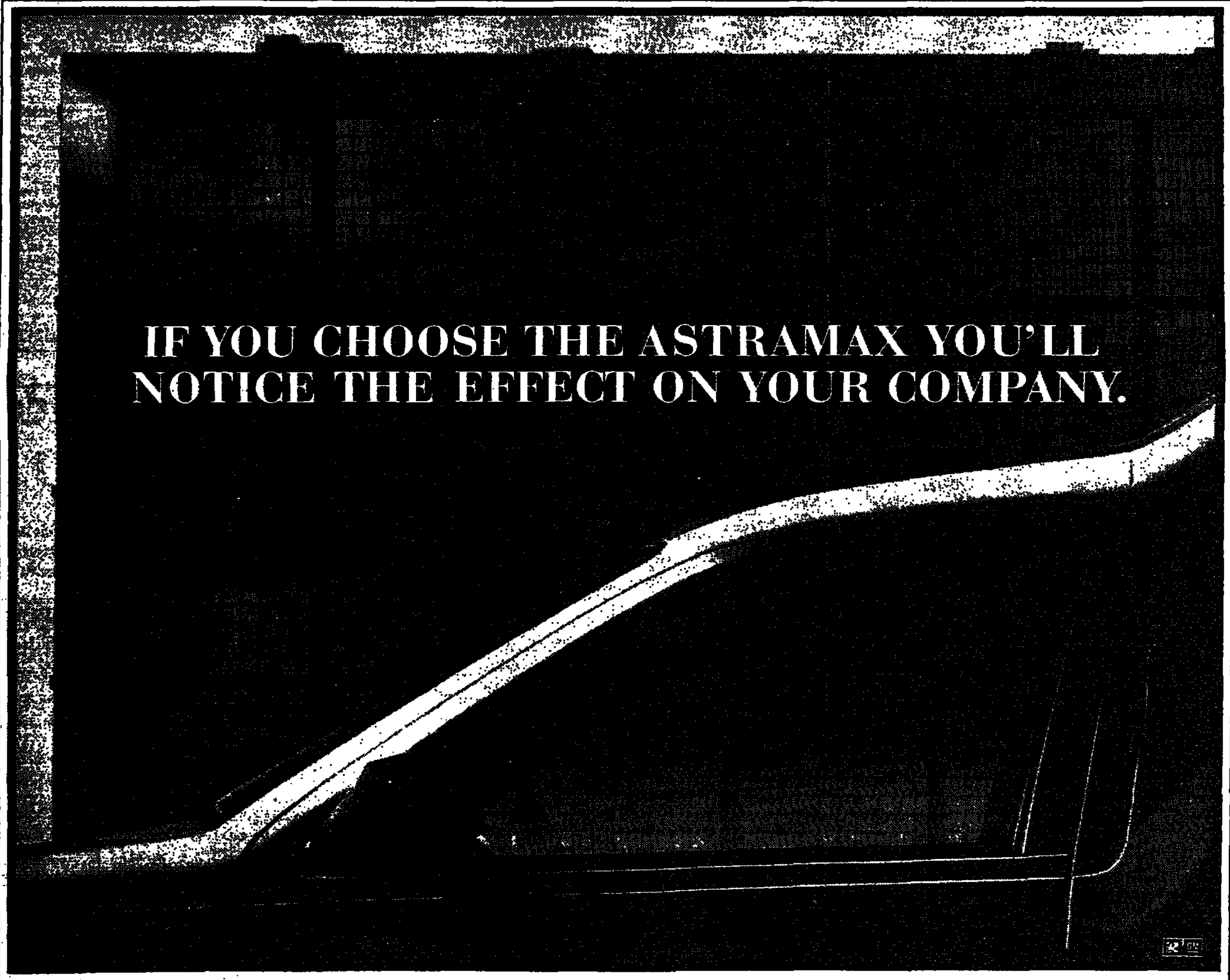
The plan has been drawn up after months of negotiations which at times threatened to break down. The merger would create a powerful right-wing union capable of representing white collar staff, multi-skilled technicians and assembly line workers.

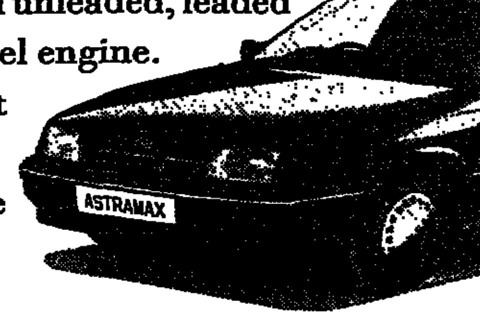
However, it is likely to provoke renewed tension within the Trades Union Congress, which expelled the EETPU last September after the union refused to accept two rulings over inter-union recruitment disputes. The TUC is likely to insist the union accepts the ruling in some form as a condition for being allowed to reaffiliate.

The AEU and EETPU national executives will meet separately on Tuesday to consider a paper drawn up by the two union's general secretaries.

The paper, with proposed amendments will then be put a joint meeting of the two executives on Thursday. If it is approved as planned the paper will then be presented to the annual meeting of the AEU's policy making national committee next week.

Most of the motions on the amalgamation talks to be debated at the national committee call for the union to pull out of negotiations or lay down conditions which the EETPU would not meet. It is thought the vote on the whether to proceed with the merger could be extremely close.





Kinnock launches Labour campaign to rebuild image

By Philip Stephens, Political Editor

MR NEIL KINNOCK, the Labour leader, yesterday sought to set the stage for his party's re-emergence as a credible alternative government with the launch of an intense 10-week campaign to rebuild Labour's public image.

Speaking at a national rally in Birmingham, Mr Kinnock combined an attack on Mrs Margaret Thatcher with a pledge that Labour would provide policies needed to meet the challenges of the 1990s.

The rally will be followed in the next two months by high-profile and expensive campaigns in the county council and European elections as well as an attempt by Labour to win its first by-election victory of the present Parliament over the Government in the Vale of Glamorgan.

Those campaigns – intended also to cast a cloud over Conservative celebrations next month of Mrs Thatcher's 10th anniversary in office – will provide the backdrop to the publication next month of the fruits of Labour's two-year review of all its policies.

The Labour leadership had been buoyed by this year's strong improvement in its standing in the opinion polls, but regards the next few weeks as critical in its attempt to pull decisively ahead of the Tories.

Mr Kinnock yesterday sketched out the philosophy underlying the new policies by emphasising Labour's commitment to better education and training and to increased investment alongside a new emphasis on meeting the needs and aspirations of individuals.

Arguing that the legacy of 10 years of Mrs Thatcher was a country unfit to meet the challenges and make the changes needed in the 1990s, Mr Kinnock said Labour planned to mobilise the "whole economy."

That meant higher investment and providing the education and training needed to secure Britain's survival as a producing and trading economy. At the same time, Labour was determined to "decentralise, to devolve, to give new freedoms of information and expression." Its commitment to build equality involved "levelling up" rather than "levelling down," he added.

Mr Kinnock was scathing in his assessment of Mrs Thatcher's legacy, arguing that the country's present economic ills reflected "a betrayal of the future."

He also pledged to reverse what he termed the Government's determination to destroy the National Health Service and promised to replace the poll tax with a new system of fair taxation.

He gave no hint of the extent to which Labour will modify its present commitment to unilateral nuclear disarmament, but vigorously attacked Mrs Thatcher's refusal last week to accept the Soviet Union's vision of a nuclear-free world.

The Labour leader's attack on the Conservatives' alleged indifference to the poor was echoed yesterday by Mr Robin Cook, the party's health and social security spokesman. He said benefit changes coming into effect this week meant that a million of the poorest people in Britain would see the real value of their benefits cut.

Warburg will study strategy for Prolific

By Our Financial Staff

S. G. WARBURG, the merchant bank, has been appointed to prepare a report on the future corporate strategy of Prolific Financial Management, the privately owned investment group, which controls funds of some £1.4bn, including unit trusts worth £850m.

It is believed that the report will consider the options open to Prolific – including a possible sale to bigger groups – at a time of rapid structural change in the financial services sector.

The company was part of the Provincial Group, the Kendal-based general insurance company privately controlled by the Scott family. Prolific was demerged about a year ago but continues to be controlled by Scott family interests.

It is involved in life, pensions and other investment management business as well as unit trusts.

Thatcher will stress arms update in talks with Kohl

By Philip Stephens

A TOUGH meeting this month with Chancellor Helmut Kohl of West Germany was foreshadowed yesterday when Mrs Margaret Thatcher, the Prime Minister, underlined her determination that the West should modernise its nuclear arsenal.

She said she would emphasise, again and again at her planned talks with Mr Kohl, that Nato must agree to replace its ageing Lance short-range nuclear missile.

They will discuss the issue at a meeting in West Germany at the end of this month, ahead of the Nato leaders' summit in Brussels next month.

In talks last week with Mr Mikhail Gorbachev, the Soviet leader, Mrs Thatcher repeatedly emphasised her determination to replace the missile. She will seek to persuade Mr Kohl to drop opposition to an early decision to modernise.

Mr Kohl, pressed by the opposition SPD and aware that modernisation is unpopular with voters, has said that a decision might be delayed until after federal elections next year.

Yesterday Mrs Thatcher reiterated that obsolete weapons do not deter, and that the West could not base defence policy on the Soviet Union's good intentions. Moscow had modernised weapons; the West had to follow suit.

That difference of view will strengthen expectations that what many Western officials believe will be a compromise on modernisation must wait till the full Nato summit.

● President Daniel Ortega of Nicaragua is to talk with Mrs Thatcher in London next month, Whitehall said yesterday. The talks follow encouraging developments in the search for a settlement of central American conflicts.

ITV heads to negotiate a network agreement

By Raymond Snoddy

BRITAIN'S ITV companies will meet this week to try to create an agreement covering the way individual companies supply programmes to each other and determining which programmes are shown nationally.

The search for a new form of network agreement is seen as the most vital internal decision ITV faces. The Independent Broadcasting Authority has made clear that if a satisfactory new system is found it could be included in the new broadcasting licences that will run through the 1990s.

At least five different options will be put to senior ITV executives when they meet at Brockett Hall in Hertfordshire on Thursday

They will range from an IBA suggestion that all programmes for national transmission should be commissioned by a national commissioning editor to suggestions from Thames Television that almost all programme decisions should be put to the vote, with companies having voting power in proportion to their share of advertising revenue.

In its proposals for the future of broadcasting, the Government has argued that any future networking arrangements should be left to the commercial judgment of the companies.

However, Mr George Russell, IBA chairman, who will also chair the new Independent Television Commission, has argued that there should be an obligation to form a network.

Most programmes meant for national transmission have traditionally been made by the "big five" – Thames, London Weekend Television, Granada, Yorkshire and Central – which have a guaranteed number of hours a week. The smaller regional companies have a pool of guaranteed hours.

Thames argues that only £18m of programmes a year should be guaranteed out of a total of £380m. The rest should be voted for by company programme controllers, it says.

Commercial vehicle sales rise 13.5% in March to 36,000

By Kevin Done, Motor Industry Correspondent

UK COMMERCIAL vehicle sales rose by 13.51 per cent in March to 36,186, the highest level for the month since 1973, according to figures from the Society of Motor Manufacturers and Traders.

In the first three months of the year registrations were 12.62 per cent higher than for 1988 at 100,988.

Imports captured 40.38 per cent of the market in March, compared with 42.87 per cent a year ago. Imports were also slightly lower in the first quarter at 39.7 per cent compared with 40.52 per cent a year earlier.

Commercial vehicle sales have continued to surge in 1989 after two years in which demand has reached record levels. Registrations rose by 14.1 per cent last year to 356,783.

In spite of the continuing buoyancy of new vehicle registrations, some truck makers are reporting a weakening of new orders, which suggests that the market might have peaked and that registration figures might begin to fall in the second half of the year.

In the face of growing uncertainty in the market, few commercial vehicle makers expect truck sales (above 3.5 tonnes) to exceed last year's level of 67,918.

In the first three months of the year Iveco Ford and DAF, the leaders of the UK truck market, have come under pressure from the prominent importers Daimler-Benz and Scania, as well as from Volvo and the small UK-based heavy truck makers ERF and Foden.

Foden, the specialist heavy truck maker and a subsidiary of Paccar of the US, increased its sales volume in the first three months by 87.4 per cent to 491 after a jump in registrations of 115.9 per cent in the whole of 1988.

At the same time ERF, the only independent publicly quoted UK truck maker, increased its sales volume in the first quarter of 1989 by 26.2 per cent to 1,123, following a jump of 49.2 per cent in the whole of 1988.

Iveco Ford, the UK joint venture controlled by Iveco, the commercial vehicles subsidiary of Fiat of Italy, was one of the main losers in the first quarter along with Renault Truck Industries.

Iveco showed a marginal decline in sales, in spite of the 12.5 per cent jump in the overall truck market, and its share declined to 24.2 per cent from 27.3 per cent a year ago.

Both the Swedish heavy truck producers, Volvo and Scania, have recovered strongly in the first quarter after losing market share a year ago, when strikes in Sweden affected output. Scania increased its sales volume by 43.7 per cent, while Volvo raised its sales by 20.8 per cent.

Volvo's performance was matched by Daimler-Benz of West Germany, the world's biggest truck maker, which is seeking to increase its share of the UK truck market to 20 per cent over the next five years from 15.2 per cent last year.

Sales of Mercedes-Benz trucks rose by 21.2 per cent in the first quarter as the company increased its market share to 14.8 per cent from 13.7 per cent a year earlier.

In the UK van market, Ford has strengthened its stranglehold on panel van sales with its Transit van, capturing almost half of the market in the first quarter after a 35.7 per cent jump in sales.

A year ago Ford sales were constrained by the impact of a two-week strike at its UK plants but in the first quarter this year it has pushed its market share up to 49.4 per cent from 41.18 per cent in the corresponding period of 1988.

It has made even stronger gains in the small van market, where its Escort and Fiesta car-derived vans captured a third of UK sales after a 48 per cent increase in sales volume.

UK COMMERCIAL VEHICLE REGISTRATIONS JAN-MARCH 1989

	Volume (Units)	Volume Change (%)	Share (%) Jan-March 89	Share (%) Jan-March 88
Total Market*	100,988	+12.62	100.00	100.00
Imports	40,095	+10.35	39.70	40.52
Small vans (up to 1.8 tonnes)				
Total	32,221	+13.66	100.00	100.00
Imports	8,479	+10.41	26.33	20.20
Ford	10,647	+48.18	32.94	25.27
GM (Bedford)	8,413	-2.47	26.03	30.34
Rover Group	5,529	+14.42	17.11	17.00
Peugeot (incl. Citroen)	2,822	-0.98	8.71	9.31
Renault	1,564	-11.69	4.84	6.23
Medium Vans (1.81-3.5 tonnes)				
Total	43,551	+13.13	100.00	100.00
Imports	19,702	+12.27	45.24	45.69
Ford	21,513	+35.72	49.40	41.18
DAF (Leyland DAF)	4,308	+0.75	9.89	11.11
Renault	3,399	+4.52	7.80	8.45
Nissan	2,405	-14.07	5.52	7.27
GM (Bedford)	2,339	+4.61	5.37	5.81
Peugeot (incl. Citroen & Talbot)	2,308	-11.74	5.30	6.79
Mercedes-Benz	2,075	-4.99	4.76	5.67
Trucks (over 3.5 tonnes)				
Total	19,034	+12.49	100.00	100.00
Imports	7,955	+19.12	41.79	38.47
Iveco Ford	4,613	-0.28	24.24	27.34
DAF (Leyland DAF)	3,743	+3.80	19.66	21.31
Mercedes-Benz	2,817	+21.21	14.80	13.74
Volvo	2,182	+20.75	11.46	10.68
Scania	1,166	+43.68	6.14	4.80
ERF	1,123	+26.18	5.90	5.26
Renault (RTI)	1,097	-0.72	5.76	6.53

*Includes buses and light four wheel drive utility vehicles
Source: Society of Motor Manufacturers and Traders.

Unit Trust Association calls off advert plan

By Eric Short

THE Unit Trust Association has failed to gain the necessary support for a generic advertising campaign to promote the merits of equity investment through unit trusts.

The association's survey of its total membership of 129 management groups drew responses from 80 members, of which 47 favoured a campaign and 33 did not.

Mr Tony Smith, the association's chief executive, said such a trade association could not proceed with a generic campaign without the backing of about 80 per cent of its members.

The difficulties of proceeding with a campaign were highlighted by the refusal of support from some big unit trust groups, including M & G, Save & Prosper and Allied Dunbar.

About 1.4m people invest directly in unit trusts, a figure that has risen only very slowly over the past decade.

Unit trust management groups wondered how to bring the advantages of unit trust investment to a wider public. A UTA-sponsored, nationwide campaign was suggested.

UTA's approach to members three years ago was confined to testing support for a campaign and failed to secure the required support. This time a more detailed paper set out ideas on how the campaign would run but still failed to secure required support.

Mr Paddy Linaker, M & G chief executive, said he preferred to spend his company's money on promoting M & G funds to identified markets, rather than on a blanket campaign in an unknown area. That was echoed by Mr Paul Bateman of Save & Prosper.

Mr Bill Stittaford, chief executive of Framlington Group and departing chairman of the association, was disappointed. His successor as chairman, Mr John Fairbairn, is M & G deputy chairman.

Mr Brian Brown, chief executive of TSB Trust Company, has been an ardent supporter of a generic campaign for years but said it was now a dead duck, at least for the next few years.

UK NEWS

Awards aim to improve higher education

By David Thomas, Education Correspondent

AN EDUCATIONAL reward for effective teaching in higher education, called Partnership Awards, is to be launched today by the Council for Industry and Higher Education, comprising 20 leading companies and employers' organisations.

The awards reflect the business world's concern that universities and colleges do not sufficiently emphasise the quality of teaching provided by lecturers, compared with the quality of their research.

The council is a pressure group representing leading companies concerned to improve links between business and higher education. It says employers value excellent teaching above good research, and it is likely to emphasise that when it launches its scheme at the Royal Society in London today.

Traditionally, university authorities are reluctant to grade their lecturers' teaching because they say it is difficult to judge good academic teaching. However, last year the vice-chancellors relented to an extent by establishing a unit to monitor the quality of university teaching.

The Partnership Awards, by rewarding innovation in teaching, avoid having to judge who are the best teachers.

The 20 prizes will be awarded for innovative teaching in universities, polytechnics or colleges of higher education, in subjects chosen by the sponsoring company or employers' organisation.

Topics range from the specific, such as Plessey's prize for teaching that attracts women into engineering, through to the general, such as that of British Gas for widening access into higher education; and Peugeot Talbot's for encouraging communication skills.

Each prize will typically be of £3,000, but may be more if it goes to a group of teachers. The 20 sponsors have agreed to offer prizes annually for the next three years. Topics may differ each year. The closing date for the first awards is June 16.

SURVEY OF ECONOMIC FORECASTERS' PREDICTIONS

Poor showing on foretelling state of economy

By Ralph Atkins, Economics Staff

THE ASSERTION that the vision of UK economic forecasters was more clouded than usual last year is highlighted by a survey compiled by the Financial Times. It might be a bad omen of prospects for forecasts in 1989.

If the average of forecasts made this time last year had been correct, the UK economy would have grown by a modest 3 per cent, inflation would be below 5 per cent and the 1988 current-account deficit would have scarcely scraped beyond £5bn.

In practice, growth was strong, exceeding 4 per cent, while Mr Nigel Lawson, Chancellor of the Exchequer, was forced to raise interest rates nine times from early summer to cool an inflation rate heading towards 7 per cent and a current-account deficit of £14.7bn.

This year, the forecasters are pessimistic about the current account and cautious about a steep fall in inflation, but remain optimistic about relatively steady growth.

The average of the 23 forecasting groups paints a picture closer to the "soft landing" predicted by the Treasury than the "hard landing" feared by some. But the less-than-impressive forecasting record means the scope for error must be large.

It is difficult to judge last year's performance by the forecasting groups. First, it is not yet clear what actually happened. Preliminary figures for the average measure of gross domestic product (GDP), for instance, suggest a growth rate of 4 per cent, but the low quality of official statistics means that that might be misleading and subsequently revised.

A second obstacle is that no group was even close to predicting correctly all 11 variables included in the survey. Some, such as the fall in unemployment, could have been easier to foresee than, say, the rapid deterioration of the trade deficit.

Moreover, the deviation of forecasts from the actual figures varied between indicators.

BUSINESS optimism has rebounded from a low point in the first three months of this year but inflationary pressures continue to increase, according to a survey published today, writes Ralph Atkins.

Dun & Bradstreet, the international business information group, reports that businessmen are cautiously optimistic about sales and profits in the three months to June although confidence has not returned to levels reported in 1988.

The survey of 1,000 senior executives also shows that 62 per cent expect to increase selling prices while just 3 per cent forecast a fall. Its index of selling prices, which subtracts the percentage expecting falls from those expecting rises, has risen for three consecutive quarters.

On sales, 73 per cent of the businessmen expected increases and 7 per cent forecast a fall. The 66-percentage-point difference was up from 58 percentage points in the first three months of the year.

The least accurate forecast of the average unemployment level was within 400,000 of the 2.3m out-turn – about 20 per cent out. The worst current-account forecaster (the Treasury) underestimated the figure by more than £10bn, or 70 per cent.

A simple test of forecasting prowess is to rank groups according to their proximity to seven key indicators: GDP, inflation, the current account, consumer spending, manufacturing output, investment and unemployment.

If there has to be a winner it should be Shearson Lehman Hutton, the US securities house. It took two first places (for inflation and GDP), two second places, a third and a fourth.

Its model of the economy was developed by Mr Peter Warburton and Mr Tim Congdon, both of whom have left the company. The main characteristic that distinguishes this model from others is the importance given to broad measures of the money supply and the impact of interest rates on the real economy.

On the highly commended list would be Morgan Grenfell, Hoare Govett, Goldman Sachs and the Ernst & Whinney Independent Treasury Economic Modelling (Item) club. Also achieving respectable performances (in no particular order) were DRI Europe, Warburg Securities, Greenwell Montagu, Phillips & Drew, the Confederation of British Industry, Oxford Economic Forecasting, Liverpool University, the National Institute and the London Business School.

Strikingly, some City economists performed as well as, if not better than, the academic or public-sector groups that usually have more resources dedicated to developing sophisticated computer models of the economy. At least, the City economists were often less wrong than the others.

Of the seven variables, City economists were closest on five with the CBI taking the sixth for its investment forecast. On the seventh, unemployment, the National Institute of Economic and Social Research was nearest.

Another noticeable characteristic is the Treasury's disappointing performance. It underestimated each variable and its only rankings were a third place for manufacturing output and fifth place for forecasting investment. The Treasury does not forecast unemployment.

Embarrassingly for the Government, the Ernst & Whinney Item Club, which uses a copy of the Treasury model, did better than the Treasury itself. That might mean that it is not the model that is at fault but the re-jigging of the raw output according to the Treasury's judgment and interpretation.

Item took third place for forecasting consumer spending and GDP. It also ranked among the top ten on inflation, the current account and manufacturing output.

FORECASTS FOR THE UK ECONOMY

(Unemployment, average over period. Balance of payments and PSBR in £bn; PSBR for financial years 1989-90 and 1990-91. Interest rates fourth quarter. Retail price inflation; year to fourth quarter. Others are percentage change over 12 months. Dash indicates information not available)

		Gross Domestic Product		Consumer spending		Manufac-turing output		Fixed investment		Retail price inflation		Unemploy-ment Millions		Balance of payments current account		Public Sector Borrowing Requirement		Interest rates (3 month interbank)		Exports volume		Imports volume	
	Date	1989	1990	1989	1990	1989	1990	1989	1990	1989	1990	1989	1990	1989	1990	1989-90	1990-1	1989	1990	1989	1990	1989	1990
Treasury	Mar	2.5	2.5	3.5	2.0	3.5	1.5	4.5	3.0	5.5	4.5	–	–	-14.5	-12.0	-14.0	-10.0	–	–	4.5	7.0	4.5	3.0
Confederation of British Industry	Mar	2.1	2.3	2.5	2.2	3.7	2.9	5.9	1.7	5.9	5.0	1.9	1.9	-15.1	-10.9	-14.1	-14.0	13.0	11.0	5.1	4.6	5.3	2.7
DRI Europe	Mar	2.0	2.6/	2.4	2.8	4.0	2.6	4.8	2.2	5.6	4.2	1.9	1.9	-15.8	-13.4	-16.4	-19.0	12.2	10.8	2.6	5.2	5.1	3.7
European Commission	Jan	2.9	2.1	2.5	1.9	3.9	3.1	6.0	3.3	5.5	5.0	1.97	1.92	-17.2	-15.3	-15.2	-15.8	11.0	10.5	3.6	4.2	6.3	3.1
Henley Centre	Apr	1.7	1.7	2.7	1.7	3.8	1.7	0.8	1.7	5.8	5.3	1.89	1.94	-15.0	-16.1	-14.0	-13.0	12.2	12.7	2.3	4.0	4.0	3.6
Ernst & Whinney ITEM Club	Apr	2.2	1.7	2.4	2.3	3.1	1.4	4.2	-0.6	6.0	4.2	1.89	1.89	-16.4	-15.2	-15.3	-14.4	12.0	10.0	4.2	2.9	6.3	3.0
Liverpool University	Apr	3.6	3.5	2.3	1.9	–	–	–	–	5.5	3.3	1.8	1.5	-14.4	-9.3	-14.1	-15.5	10.2	8.4	–	–	–	–
London Business School	Mar	3.0	2.6	2.4	2.6	4.8	3.8	5.1	3.1	5.1	4.2	2.0	2.0	-13.3	-13.6	-13.9	-13.8	12.0	10.0	4.4	4.3	4.2	2.6
National Institute	Feb	2.5	0.8	3.2	0.7	2.2	-0.6	4.4	-2.1	5.8	5.9	1.9	1.8	-14.3	-14.1	-18.2	-17.6	13.0	13.0	6.3	3.7	6.7	1.3
OECD	Dec	3.0	2.0	3.75	2.75	–	–	6.75	4.0	5.25	4.75	–	–	-14.6	-16.3	–	–	11.5	10.5	4.5	3.5	6.5	5.0
Oxford Economic Forecasting	Mar	2.6	2.0	2.3	2.0	7.7	1.2	6.5	1.0	6.3	4.1	1.85	1.97	-13.7	-11.8	-13.6	-10.5	11.5	11.1	8.5	5.9	7.2	2.4
CL-Alexanders Laing Cruickshank	Apr	1.4	2.2	2.5	2.9	4.1	3.0	6.0	3.0	5.7	4.8	1.9	1.9	-18.4	-18.2	-13.8	-11.3	11.2	9.8	4.7	5.0	8.6	4.6
Credit Suisse First Boston	Apr	2.7	2.9	3.3	3.5	3.7	4.0	5.5	4.0	5.3	4.7	1.9	1.9	-14.5	-11.0	-14.0	-11.0	12.5	10.0	5.5	6.5	6.0	6.0
Goldman Sachs	Apr	3.0	2.1	2.2	1.9	4.9	2.7	6.2	-1.6	5.9	4.4	1.83	1.93	-14.5	-10.0	-18.0	-14.0	11.0	9.0	7.5	5.5	8.7	2.7
Greenwell Montagu	Apr	1.9	3.3	3.5	2.9	4.6	3.8	5.2	3.8	6.8	5.1	1.8	1.7	-18.0	-16.0	-18.0	-18.0	12.5	10.5	3.0	5.9	6.0	3.6
Hoare Govett	Apr	2.6	3.1	3.0	3.5	3.5	4.5	3.5	4.0	5.1	4.5	1.82	1.70	-12.5	-11.5	-15.2	-18.8	11.5	10.0	3.2	7.2	5.0	4.3
James Capel	Apr	2.8	1.8	2.8	2.3	4.0	1.5	8.6	0.6	6.5	4.1	1.87	2.0	-18.2	-12.0	-17.3	-15.5	11.75	10.25	6.7	6.0	7.5	2.1
Lloyds Bank	Mar	2.4	2.4	2.2	2.6	3.5	3.3	5.4	1.1	4.75	5.25	1.9	1.9	-13.2	-12.8	-16.0	-12.5	11.0	10.0	4.4	5.3	3.5	3.0
Morgan Grenfell	Apr	2.1	2.4	2.4	2.1	4.2	2.2	3.5	2.5	6.7	4.2	1.86	1.79	-16.1	-16.9	-15.2	-18.0	12.7	11.1	4.6	5.2	8.0	2.8
National Westminster	Apr	2.5	2.3	3.0	2.5	4.0	4.0	5.5	3.8	5.8	5.4	1.9	1.85	-17.0	-12.0	-15.1	-13.0	11.3	10.3	5.0	4.8	8.3	4.2
Phillips & Drew	Apr	3.0	1.4	3.2	1.7	3.9	2.4	8.1	-0.1	6.6	5.9	1.9	2.0	-18.6	-16.5	-19.5	-22.0	13.2	12.2	4.4	4.0	6.2	0.8
Shearson Lehman Hutton	Apr	3.2	2.5	2.7	2.2	4.0	3.0	6.0	2.0	6.0	4.5	1.8	1.8	-15.0	-10.0	-14.0	-14.0	12.0	10.5	5.0	5.0	5.0	2.0
Warburg Securities	Apr	2.9	2.7	2.3	2.5	4.0	2.1	4.4	3.1	5.8	4.6	1.9	1.8	-15.7	-15.9	-14.4	-15.5	12.0	10.0	4.6	4.6	5.9	3.5
FT average		2.5	2.3	2.7	2.3	4.0	2.6	5.2	2.0	5.7	4.7	1.9	1.9	-15.4	-13.5	-15.3	-14.9	11.9	10.5	4.8	5.0	6.0	3.2
Average of City forecasts		2.5	2.4	2.8	2.6	4.0	3.0	5.5	2.2	5.8	4.8	1.9	1.9	-15.8	-13.6	-15.9	-15.3	11.9	10.3	4.9	5.4	6.4	3.3

NOTES: Treasury: 1990 forecasts based on first half only with RPI for second quarter. GDP: Treasury, compromise measure. Liverpool, LBS, National Institute use output measure. Others use average measure. Consumer spending: Liverpool, non-durable consumption. Retail price inflation: Liverpool, av for year; OECD, average consumer prices. EC consumer price deflator, av for year. Interest Rates: Liverpool, Treasury bill average for year. CBI, DRI, LBS, Hoare Govett, Lloyds use base rates. National Institute, Treasury bill, OECD short term rates, second half. EC, short term, end of year.

Tim Congdon: heading new research organisation

Research venture for economist

By David Barchard

MR TIM CONGDON, the arch-monetarist economist whose forecasts last year for the British economy proved to be the most accurate in the City, is to join Gerrard & National Holdings as head of a new, independent research company.

The company will be one of the first independent research organisations established in London since Big Bang and will carry out research for outside clients. Mr Congdon will be managing director and will head research into the impact of credit and money on economic activity. He takes up his position on April 17.

Mr Congdon was chief economist at Shearson Lehman Hutton until August. Since then, he has been undertaking private research on UK economic issues, and on a book on the management of the British economy in the 1980s.

"It is terribly important that the growth of credit and the money supply and their effects on economic activity be well understood," Mr Congdon said. "The impact of what I write will be much greater if I have an outlet in the City."

Mr Congdon expects the main clients for his new business to be pension funds and insurance companies seeking guidance about the long-term prospects for the UK economy.

Mr Brian Williamson, chairman of Gerrard & National, said the firm was an "enthusiastic supporter" of Mr Congdon's concept of providing research independently of the large securities houses.

UK NEWS

Airport chiefs fear shortage of air capacity

By Lynton McLain

A NEW runway for south-east England is not the top priority to cope with ever-growing levels of air traffic, BAA told the Civil Aviation Authority today.

Sir Norman Payne, chairman of BAA, the privatised British Airports Authority, said in a statement that the CAA consultation paper, CAP 548, published in February, did not give a balanced view of the priorities for developing airport and airspace capacity to meet future needs.

Sir Norman said: "In order of priority those needs are airspace, terminals and runways." The airports company agreed with the analysis by the authority showing that a fifth terminal at Heathrow and further development at Stansted Airport, Essex, was needed to meet forecast demand from the late 1990s.

The CAA was asked by Mr Paul Channon, Transport Secretary, to recommend by July ways of providing airport capacity to cope with demand through to 2005.

According to BAA, the Civil Aviation Authority had underestimated runway capacity in the London area and had overestimated traffic demand. The CAA forecasts also had not made sufficient allowance for growth in passenger traffic at regional airports nor for growth in the size of aircraft.

BAA estimated that the planning, public inquiry and construction lead time needed to develop a new runway in the south-east England would be about *eight years. Planning for a new* runway for use in 2000 could begin in the early 1990s.

In contrast, the CAA said in its recommendations: "It is of considerable importance that work be put in hand now to identify the potential site to enable airspace planning to begin and to set in train the planning process."

BAA said in its response to the CAA document that it intends to start construction of the second phase of development of the new passenger terminal at Stansted Airport to have it available by about 1995. BAA needs parliamentary approval to lift the limit on air transport movements that is currently in force.

"The terminal developments were needed earlier than further runway capacity. "Consideration of long-term needs for additional runways must not be allowed to distract attention from the more pressing planning decisions," BAA said.

BAA did not respond to the suggestion by the CAA that the transport secretary would need to explore "whether somebody other than an existing airport owner" (such as BAA, which owns seven airports including Heathrow, Gatwick and Stansted) "should be encouraged to take an interest *[in providing airport capacity]* in order to ensure competition in all parts of the aviation industry."

Air Europe, part of Mr Harry Goodman's International Leisure Group, in its response to the CAA consultation document, agreed that it was clear another runway was needed in south-east England this century, "before Stansted gets saturated and planning should start now."

British Airways submits its response to the CAA today.

British Airways sets up top safety post

By Maggie Urry

BRITISH AIRWAYS has created a new executive board post – director of safety, security and the environment. The executive board is one level below the company's main board.

The move reflects public concern about airline safety after a series of incidents, including the explosion in a Pan Am jet over Lockerbie and the crash of a British Midland airliner on the M1 motorway.

Security has been questioned after journalists posing as airport staff went aboard aircraft and planted packages that have remained undetected.

BA said there had not been any discernible drop in bookings as a result of fears about safety.

The environment is another issue in the forefront of public interest.

Mr David Hyde, formerly BA's deputy marketing director, has been appointed to the post after a meeting of the BA board's committee on air safety. Safety was formerly the responsibility of Captain Peter Hunt, also an executive board director, who had asked to return to flying duties.

BA said yesterday that one of Mr Hyde's first tasks would be to review the security of BA's operations and procedures. Outside security consultants would help with the study. BA said its safety record was good but it wanted to be as near 100 per cent as possible.

Sir Colin Marshall, BA's chief executive, said: "Safety and security are our first consideration". A review of BA's security arrangements was timely and necessary "in view of the widespread concern over airline security".

He added that Mr Hyde would also be BA's "champion to ensure the airline is as caring as possible for the environment". BA is switching to lead-free petrol for its vehicles and modernising the aircraft fleet to reduce noise pollution.

Tourist chiefs seek visitors from Japan

By David Churchill

LONDON TOURIST chiefs are flying to Tokyo this week to try to boost the number of Japanese tourists visiting London.

The move is part of a concerted effort by London's top hotels and tourist attractions to gain a share of the growing number of Japanese likely to travel to Europe in the 1990s.

Although the number of Japanese visitors to London rose by 24 per cent to 330,000 in 1988, that represented only a small proportion of the *9m* overseas visitors to London that year.

West Europeans accounted for about half the overseas visitors, North Americans were a quarter and the rest came from other parts of the world.

The importance of the Japanese to the London tourist industry is that they spend more than any other nationality. Japanese visitors in 1987 – the last year for which figures are available – spent an average of £79.62 a day, compared with £69.45 a day for US visitors and the £37.54 a day spent by West Germans.

London hotels are particularly keen to attract Japanese visitors because the number of Americans staying in London's luxury hotels has been reduced by the exchange rate between the dollar and sterling. Many Americans who come to London are trading down to budget hotels.

Mr Tom Webb, managing director of the London Tourist Board, who leads the delegation to Tokyo, said yesterday: "While overseas tourism is rel*atively new to Japan, the num*bers are rising significantly with official encouragement."

The Japanese Government is seeking to to recycle some of its massive balance of payments surplus by encouraging its citizens to travel abroad.

Just under 7m Japanese went abroad last year – about 6 per cent of the population. However, the Japanese Government hopes some 10m Japanese will travel overseas by 1992.

Even if that target were reached, the proportion of Japanese travelling abroad is still far lower than that of European countries. For example, some 30 per cent of Britons took holidays abroad in 1988.

"There are opportunities for those prepared to work at the Japanese market," said Mr Webb. "Results may not always be immediate, but the Japanese are loyal, long-term customers."

LTB is training some 18 Japanese speakers to become London tourist guides and many hotels are recruiting Japanese-speaking staff and introducing other measures aimed at attracting Japanese visitors.

The Hilton International hotel at Regent's Park, for example, has opened a Japanese restaurant while the St James Court hotel has introduced a toll-free phone for reservations booked in Japan.

Airline seat capacity between London and Tokyo is also being boosted this year.

BR wants to keep its train set after sell-off

Kevin Brown reports that rail executives are lobbying for a privatised single network

PITY the poor British Rail public relations man. Still reeling from a mauling at the hands of Kent and south London residents over the route for the high-speed link to the Channel tunnel, he now has to shape up for a much bigger battle against a still more deadly enemy.

The nightmare keeping BR executives from their sleep is that the Government is moving towards proposals for privatising the railway which would involve breaking it up into a series of regional companies.

Officially, the Government is still considering six options for the future of BR. They are:

- Privatising the corporation as a single network, along the lines of the British Gas and British Telecom flotations.
- Setting up a national track authority that would lease track time to competing companies, which might be national or regional in character.
- A break-up into BR's five existing business sectors – InterCity, Network SouthEast, Railfreight, Parcels, and Provincial.
- Recreating the pre-war system of vertically integrated regional companies, each of which would operate a full range of services.
- A *hybrid solution combining* elements of those four proposals.
- Retaining the corporation in the public sector, which would implicitly recognise its social role as a provider of essential transport services.

In fact, it has become clear that there is no prospect of BR remaining in the public sector if the Conservatives win the next general election. So the battle is not about whether the corporation will be privatised, but how.

BR's position has been clear for some time. Sir Robert Reid, the career railwayman who is in his last year as chairman, declared publicly last year that he would fight for the first option, now known as BR plc.

Sir Robert Reid: carries weight in Whitehall

Sir Robert has been putting his view to ministers and officials for several months, in the low-profile but forceful way that has become his trademark.

He has had the support both of the railway trade unions, which oppose privatisation in principle but would probably settle for the plc solution, and of the Central Transport Consultative Committee, the statutory railway watchdog, which *believes that breaking up the* network would be a disaster for consumers.

Sir Robert carries a great deal of weight in Whitehall and Westminster, particularly among Transport Department officials, who recognise that he has been responsible for a dramatic turnround in the fortunes of the railway.

Nevertheless, BR executives have become increasingly concerned in recent weeks that Mr Paul Channon, Transport Secretary, is moving towards adopting the fourth option – a series of regional companies offering a full range of services.

As a result, the BR publicity machine has moved into overdrive. A number of black propaganda stories have been put into circulation – including a rumour that Mr Alastair Morton, chairman of Eurotunnel, was pushing for Sir Robert's job – and confidential background briefings are being offered to every journalist who can spare the time for lunch.

The basis of the scare appears to be a speech delivered by Mr Channon a little over a month ago in which he said one option would be "returning to the good old days of the Great Western Railway and the London and North Eastern Railway."

The speech was followed by a Sunday newspaper report claiming that Mr Channon was bracing himself for a clash with Sir Robert over the form of privatisation.

However, it appears that the dogs may be chasing a phantom hare. Mr Channon's speech writer, it now emerges, intended the reference to the pre-war railways to be ironic, perhaps not fully appreciating the likely reaction at BR's hyper-sensitive headquarters.

That would accord with the views of many railway experts, both inside and outside BR, who believe the idea of regional companies, originally advanced by the Centre for Policy Studies, is absurd.

There are several reasons for that.

- BR has only around 7 per cent of the UK market for passenger transport and 9 per cent of the freight market; fragmentation would create a series of companies with high fixed costs and market share of perhaps 1 per cent each – too small for any economies of scale.
- Fragmentation would destroy the so-called "network effect", which increases passenger demand by maximising the use of feeder services and the potential for through journeys.
- Fragmentation would not lead to any increase in competition in the passenger market, and might lead to enormous difficulties in operating international long-distance freight services through the Channel tunnel.
- The pre-nationalisation railway era looks like a golden age only in retrospect. In reality, services were often slow, infrequent and unreliable, and most of the private companies rarely made sufficient profits to pay a dividend.

In fact, officials close to Mr Channon say he has still not decided how to proceed, but the regional companies solution is less likely to be chosen than most of the others. That is consistent with a public admission recently by Mr Michael Portillo, Transport Minister, that ministers were a long way from deciding.

BR's harassed executives may draw some comfort from that, as well as from doubts previously expressed by Transport Department officials about the track authority option, which would merely replace an operating monopoly with an administrative one.

However, the corporation still has real difficulty in persuading ministers that the plc option can be sold politically to the Prime Minister and the country after the planned privatisations of utilities such as electricity and water, which are not proving as popular as earlier privatisations.

A possible solution has been put forward by Mr John Redwood, a former head of the Downing Street Policy Unit who is now the Conservative MP for Wokingham. He says the Railfreight and InterCity sectors could be sold as national companies running over track owned by a few integrated regional companies.

From BR's point of view, the irony of the situation is that the Government is only able to contemplate privatisation because of the dramatic improvement in the corporation's financial performance since Sir Robert took over in 1983.

The improvement has ended 40 years of losses and put BR on course to make profits on ordinary activities of £940m over the next five years, while reducing its need for subsidies from £1.1bn in 1983 to a planned £477m by 1992 (at current prices).

The record of the past five years remains Sir Robert's strongest card, but it may not be enough to ensure that he gets his way, in spite of the efforts of his public relations team.

Mr Channon is likely to announce a decision at the Conservative Party conference in the autumn. For the moment, the betting is that he is most likely to go for a compromise, which could then be presented as a radical breakthrough in privatisation policy.

Survey of MPs' voting records

By Philip Stephens, Political Editor

THE Thatcherite credentials of Conservative MPs in favouring individual choice over state intervention come under scrutiny in an analysis published today by the right-wing Adam Smith Institute.

The free-market think tank says Mr Quentin Davies, MP for Stamford and Spalding, and Mr Eric Forth, junior trade and industry minister, emerge from the survey as the most "freedom-minded MPs."

Its results are based on a breakdown of how MPs voted in debates where they were not forced by party whips to toe a particular line.

The votes cover a range of issues – from whether the Post Office monopoly should be suspended to abortion and whether seatbelts should be compulsory – on which the institute says a judgment can be made on whether MPs favour individual choice or state intervention.

It covers all MPs, but is rejected by the opposition parties as an entirely arbitrary assessment with little relevance. Predictably, the bottom five MPs in the ratings – judged to be the most collectivist – are Labour MPs.

Mr Michael Simmons, the survey's author, says the ratings clearly show that the Conservative Party has been "Thatcherised" – "that its MPs, with few exceptions, tend to favour the generally free market approach adopted by the present Government."

Other Conservatives who score highly include Mr Richard Alexander, Ms Teresa Gorman, Mr Christopher Gill and Mr Graham Riddick. Mr John Redwood, one of the rising young stars, is most committed to Thatcherite economics.

The ASI ratings. Adam Smith Institute, PO Box 316, London SW1P 3DJ. £9

Liffe volume 30% up on first quarter last year

By Katharine Campbell

VOLUME ON the London International Financial Futures Exchange in this first quarter was 30 per cent up on that in the corresponding period last year. Turnover last month amounted to almost 1.6m contracts, the exchange's second busiest month, but was still 11 per cent lower than in February.

The UK long-dated government bond future, once by far the largest contributor to exchange volume totals, last month slipped behind the short-term sterling interest rate contract and the 10-year West German government bond future in terms of trading activity.

The dwindling supply of UK gilts, resulting from official funding policy, has sharply cut liquidity in the futures contract, so that turnover in the past quarter is not much more than half that in the corresponding period last year.

But continuing volatility in short-term sterling interest rates has ensured that the future is almost three times as heavily traded as last year.

APPOINTMENTS

Managing Barclays risks

■ BARCLAYS BANK has appointed Mr Mark Deverell as director, risk management. He was regional director, Australasia, and succeeds Mr Ted Foster who is retiring.

■ Mr D.C.A. Brammall has been appointed a non-executive director of LYON & LYON from May 1. He was formerly chairman and managing director of C.D. Brammall until its acquisition by Avis Europe in November 1987.

■ Mr Alan Jarvis has been made group finance director designate of SIMON ENGINEERING and will succeed Mr George Richardson when he retires later this year.

■ Mr Raoul Pinnell has been appointed national marketing manager for PRUDENTIAL's home service operation from the end of May. He is general marketing manager for Findus (Nestle) UK.

■ Mr Richard Redmayne has been appointed a non-executive director of TV-am. He is a senior director of the company's stockbrokers, County NatWest Wood Mackenzie & Co.

■ BOWTHORPE HOLDINGS has appointed Mr D.H. Latham as general manager - European cable accessories. He was managing director and is now chairman of the Hellermann Insuloid division of Bowthorpe-Hellermann. He is succeeded as managing director by Mr A.G. Cunliffe, who was general manager of the Wythenshawe factory.

■ Mr Tony Brill has been appointed managing director of GRANADA FACILITIES. He remains a director of Granada Television. The management board of Granada Facilities will be chaired by Mr Andrew Quinn, managing director of Granada Television.

■ Mr Alan Ellett, a managing director of the former Bovis company Gilbert Ash, is returning to Bovis as president and chief operating officer of the group's US subsidiary LEHRER McGOVERN BOVIS INC, New York. He was with Forest City Enterprises Inc, where he was chairman of Forest City Rental Properties and Forest City Commercial Construction. He was also a director and executive vice president of the parent company. Bovis is a P&O Group subsidiary.

Following the appointment of Mr Mike Davies as European operations director of WILLIAMS HOLDINGS, Mr Neil Curtin *(above)* has been appointed managing director of the consumer and building products division. Mr Curtin was managing director of the division's fixings and DIY companies.

■ J.M. JONES AND SONS (HOLDINGS) has appointed Mr Mark Fernandez and Mr Christopher Putland to the board, and as joint managing directors of wholly-owned subsidiary Markham Developments. Mr Guy Holden and Mr Derek Waddell have been appointed associate directors of Markham.

■ DURALAY has appointed Mr Geoff Harrison as managing director. He was managing director of East Lancs Paper Mill, and succeeds Mr David Kent who has moved to StormSeal.

Leclerc takes top post at SocGen Lease

■ *SOCIETE GENERALE has* appointed Mr Francois Leclerc to succeed Mr Alain Choppy as managing director of its UK leasing subsidiary SocGen Lease. Mr Leclerc was managing director of Sogelease Indonesia.

SGST Securities, part of the international capital markets division of Societe Generale, has been renamed SOCIETE GENERALE STRAUSS TURNBULL SECURITIES. Mr Peter Hogarth has been appointed chief executive, succeeding Mr Paul Sherwood who becomes non-executive vice chairman on May 1. Mr Chris Lester, Ms Joanna Norman, Mr John Searle, Ms Lynn Usher, Mr Tony Waddington and Mr Roger Wellesley-Smith have been appointed associate directors.

■ CARPENTER'S has appointed Mr Malcolm Bradshaw as joint managing director and vice chairman.

■ DUTTON-FORSHAW has appointed Mr David Stenning to the main board.

■ Mr John Miller has been appointed secretary of the TIPTON & COSELEY BUILDING SOCIETY. He was deputy secretary.

■ Mr *W.J. Osborne* has been appointed managing director of BADGER CATALYTIC, a newly-formed joint operation between The Badger Company and Stearns Catalytic, both Raytheon subsidiaries.

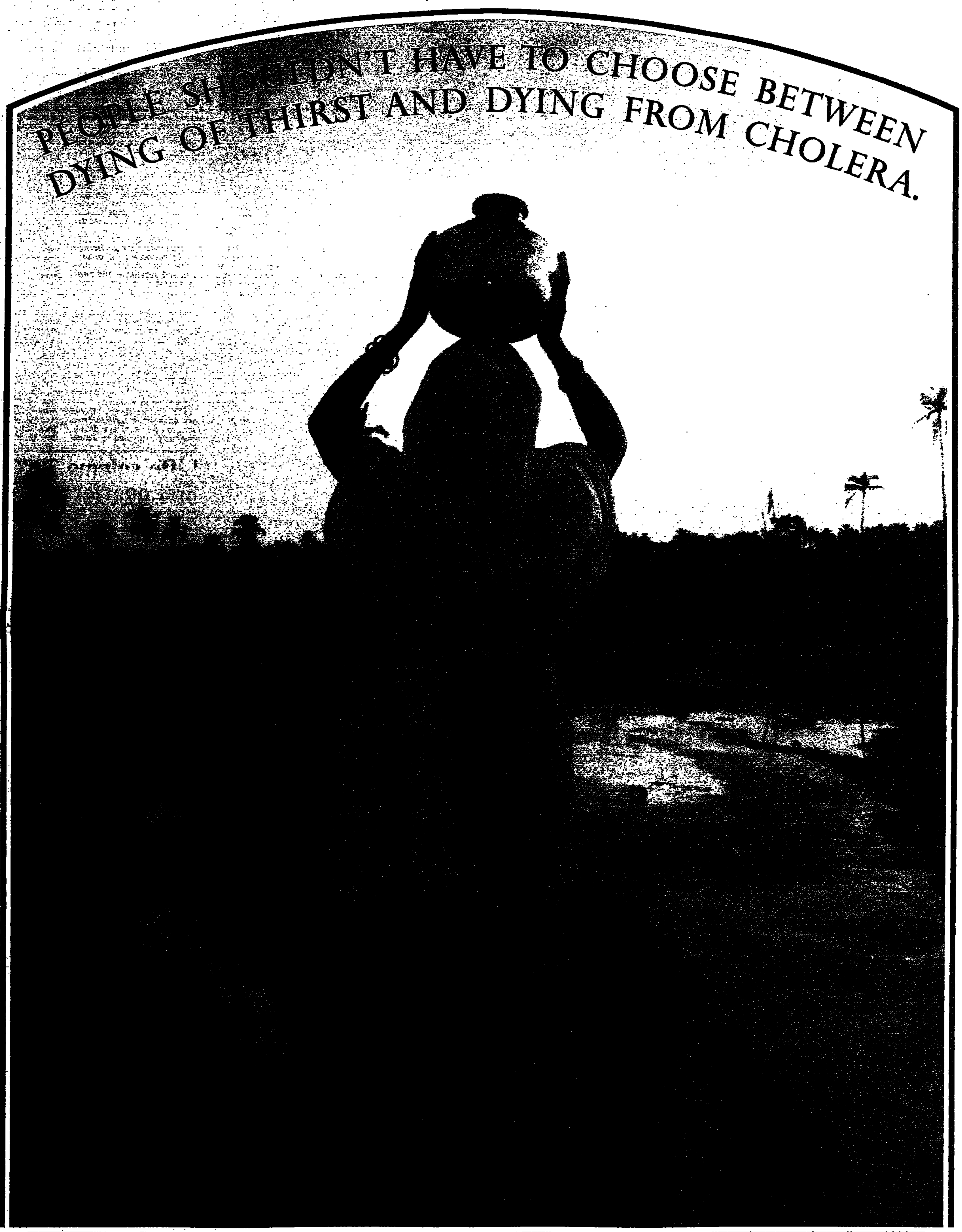
Mr Osborne was vice president eastern hemisphere sales with Badger BV in The Hague.

■ Mr Andrew Townsley has been appointed secretary of the BARNSLEY BUILDING SOCIETY. He will continue to have responsibility in the areas of marketing and development.

■ Mr Peter Smith, international communications manager, director of Visnews, and alternative director of AAP Reuters Communications Pty, has been appointed chairman of council of the INTERNATIONAL TELECOMMUNICATIONS USERS GROUP (INTUG) on the retirement of Mr Stephen Finch of the British Petroleum Co.

■ Mme Marie Josee Drouin has been appointed a director of STANDARD LIFE ASSURANCE COMPANY following the retirement of Mr G. Drummond Birks. Mme Drouin is executive director of the Hudson Institute of Canada, and a non-executive director of the Canadian Imperial Bank of Commerce, Philips Canada Inc, and Seagram Co.

■ Mr Norman Boyd has been appointed director and general manager of the spring division of THE TWIL GROUP. He was managing director of Babcock Robey.


PEOPLE SHOULDN'T HAVE TO CHOOSE BETWEEN DYING OF THIRST AND DYING FROM CHOLERA.

Technology centre in Swindon

TAYLOR WOODROW has been awarded two contracts with a combined value of just over £22m. The largest contract, worth £17.8m, has been awarded to Taylor Woodrow Construction by Nationwide Anglia Property Services for the construction of a technology centre in Swindon.

It will be a three-storey steel framed building on pad foundations, clad with insulated metal-faced panels and curtain walling. The contract also calls for the construction of a car park, ancillary works and landscaping.

The steel frame includes five large roof trusses, the biggest of which will have a span of about 60 metres and weigh 27.5 tonnes. To position the trusses three large mobile cranes will be used. Two will do a tandem lift while the third will be used to feed in the ties and the braces.

The second contract, worth £4.5m, has been awarded to Taylor Woodrow (Scotland) by Cadival Estates for the design and construction of an eight-storey office block at 20 Cadogan Street, Glasgow.

The building, with a floor area of 5,900 sq metres, is reinforced concrete frame on bored piles with curtain walling, raised access floors and air conditioning throughout. Work on site is under way and completion is scheduled for April 1990.

CONSTRUCTION CONTRACTS

English road repair schemes

By Andrew Taylor, Construction Correspondent

CONTRACTORS and building material suppliers have welcomed the government's plans to increase spending on motorway and trunk road repairs, but remain worried about the failure of the transport department and local authorities to spend all of the money previously earmarked for repairs.

The transport department estimates it spent £135m on motorway and trunk road repairs in the last 12 months instead of £177m as planned. It says money was diverted from repairs to meet higher than expected tender prices for building new roads.

The department spent £30m on bridge maintenance compared with £52m originally proposed.

It proposes over the next 12 months to spend £240m on motorway and trunk road repairs, and £101m on bridge maintenance.

The Federation of Civil Engineering Contractors said the increase was modest by comparison with the huge backlog of repairs which needed to be done. It took no account of the needs of local authorities which had substantially underspent on minor roads last year.

The British Aggregate Construction Materials Industries (BACMI) said the increase in motorway and trunk road spending was insufficient to pay for all of the works in the programme proposed.

It was concerned that plans to hold back 15 per cent of the budget to cover possible increases in tender prices later in the year might lead to a repeat of last summer's moratorium on repair work.

Road maintenance programme 1988/89

MOTORWAYS
A1(M) BURTREE-BARTON
A1(M) DONCASTER APRIL-MAY
A1(M) MARR-WARMSWORTH JUNE-OCTOBER
A1(M) DURHAM (A167-A688) JULY-AUGUST
M1 JUNCTION 5-8
M1 JUNCTION 12-13 MAY-OCTOBER
M1 RIVER TRENT-JUNCTION 25 APRIL-JULY
M1 JUNCTION 19-30 SEPTEMBER-OCTOBER
M1/M18 MANOR FARM APRIL-JUNE
M1 JUNCTION 37
M2 JUNCTION 3-4 APRIL-AUGUST
M2 JUNCTION 5 (Slips)
M2 JUNCTION 5-7 (Phase 1) MAY-JULY
M2 JUNCTION 5-7 (Phase 2) SEPTEMBER-DECEMBER
M2 JUNCTION 5-7 (Phase 3)
M3 JUNCTION 3-4 SEPTEMBER-NOVEMBER
M3 JUNCTION 5-6 MAY-JUNE
M4 JUNCTION 16-17 SEPTEMBER-NOVEMBER
M5 JUNCTION 1-M6 JUNE-OCTOBER
M5 JUNCTION 11-12 APRIL-JULY
M5 JUNCTION 20 APRIL-MARCH
M5 JUNCTION 25-26 APRIL-MAY
M6 JUNCTION 9-10 SEPTEMBER-OCTOBER
M6 JUNCTION 13-14 JULY-SEPTEMBER
M6 JUNCTION 16-17 APRIL-JULY
M6/M56 JUNCTION 26 FEBRUARY-MARCH
M6 JUNCTION 34-35 APRIL-JUNE
M11 JUNCTION 12-14 SEPTEMBER-NOVEMBER
M11 South of JUNCTION 5 JULY-OCTOBER
M11 North of JUNCTION 5 APRIL-JUNE
M23 JUNCTION 8-9 (sth/bnd) SEPTEMBER-NOVEMBER
M23 JUNCTION 8-9 (nth/bnd) FEBRUARY-MARCH
M25 JUNCTION 11-13 APRIL-SEPTEMBER
M25 JUNCTION 34 JUNE-AUGUST
M27 JUNCTION 8-10 JUNE-NOVEMBER
M40 JUNCTION 5-7 MAY-NOVEMBER
M42 JUNCTION 4-5 APRIL-OCTOBER
M42 JUNCTION 6-7a APRIL-OCTOBER
M50 JUNCTION 3-4 MAY-OCTOBER
M53 JUNCTION 2-3 SEPTEMBER-NOVEMBER
M56 JUNCTION 6-8 JUNE-AUGUST
M61 JUNCTION 3-A580 APRIL-JUNE
M61 JUNCTION 6-8 JULY-OCTOBER
M62 JUNCTION 7-9 APRIL-MARCH
M62 JUNCTION 21-22 AUGUST-OCTOBER
M62 JUNCTION 22-23 MAY-AUGUST
M62 JUNCTION 34-35 AUGUST-NOVEMBER
M63 JUNCTION 3-4 APRIL-DECEMBER
M180 JUNCTION 1-M18 JULY-SEPTEMBER
M180 JUNCTION 2-3 JUNE-NOVEMBER
M606 M62-A6177
TRUNK ROADS
A1 RIVER AIRE-M62 SEPTEMBER-DECEMBER
A1 RANBY-BLYTH SEPTEMBER-NOVEMBER
A1 CROMWELL BYPASS MAY-OCTOBER
A1 FOSTON JUNE-AUGUST
A1 BALDERTON BYPASS APRIL-MAY
A1 GORSE LANE-LITTLE PONTON SEPTEMBER-NOVEMBER
A1 SAWTRY-GLATTON SEPTEMBER-DECEMBER
A1 STIRLING-SOUTH MIMMS NOVEMBER-MARCH
A1 APEX-STIRLING
A2 DANSON-BLACK PRINCE JUNE-SEPTEMBER
A2 SINGLEWELL-B262 MAY-JULY
A2 B262-A227
A2 THONG-SINGLEWELL
A2 PARK PALE-THONG SEPTEMBER-NOVEMBER
A2 BRIDGE BYPASS OCTOBER-MARCH
A2 WHITFIELD-GUSTON
A5 DORTON-M42 AUGUST-JANUARY
A5 LEATHERMILL FARM JUNE-NOVEMBER
A12 LATTINFORD-CAPEL ST. MARY JULY-SEPTEMBER
A19 WOLVISTON-SHERATON STREET JULY-OCTOBER
A19 STATION COTTAGES-MOUNT GRACE SEPTEMBER-NOVEMBER
A27 FARLINGTON SEA DEFENCES APRIL-MARCH
A30 OKEHAMPTON SEPTEMBER-NOVEMBER
A30 BODMIN BYPASS SEPTEMBER-DECEMBER
A38 HILLIARDS CROSS-ALREWAS JULY-AUGUST
A40 WILTON-STEPPE HOUSE FARM JUNE-DECEMBER
A40 WHEATLY BYPASS AUGUST - FEBRUARY
A45 CLAYDON BEACON
A49 BRIMFIELD BYPASS AUGUST-NOVEMBER
A52 BORROWASH SEPTEMBER-NOVEMBER
A63 CAVES APRIL-JULY
A64 MALTON SEPTEMBER-DECEMBER
A69 BURNSIDE-BOUNDARY APRIL-NOVEMBER
A127 WEST OF HUSTLERS SEPTEMBER-OCTOBER
A205 THURLOW PARK ROAD JUNE-SEPTEMBER
A205 SOUTH CIRCULAR
A449 CLAINES-OMBERSLEY
A604 HUNTINGDON APRIL-AUGUST
A5111 DERBY RING ROAD JUNE-AUGUST

*Schemes provisionally held in reserve programme.

City of London offices

COSTAIN GROUP companies have been awarded contracts approaching £100m in the past month. Costain Construction has been awarded a number of contracts, which exceed £56m in total, including a £26m office development for MEPC at Finsbury Circus, London EC2.

The contract involves the construction of a nine-storey office building with a reinforced concrete frame, floors and roof slabs, carried on reinforced concrete piled foundations. The architecture is neoclassical with a portico almost the full height of the building and a central Diocletian arch containing two polished granite columns. Internal features include an oculus which projects a circle of light through the centre of the building, from the granite and marble entrance hall to the sixth floor.

Costain Engineering has been awarded a £20m contract by Thames Water Authority for an extension to the Swindon sewage treatment works, which is believed to be one of the largest design and build contracts ever let by a UK water authority.

The project will involve construction of inlet works, biological treatment, sludge processing, refurbishment of existing works and installation of a control system to improve the overall efficiency of the plant's operation.

Other contracts totalling more than £30m include work for: Pentagon Developments (Chatham), The Overseas Realty Corporation, Leeds City Council, a Tesco store at Redditch, Rainham Pool Developments, British Telecommunications, and Wren House, London EC4 for St Martins Property Investments.

Leisure complex in Basingstoke

ERNEST IRELAND CONSTRUCTION has started work on a £12m leisure complex at West Ham Park, Basingstoke, alongside the town's mini golf-course, lido and ice rink. The first phase consists of a 26 lane, 10-pin bowling centre for Wessex Bowl, a multiplex cinema for Warner Brothers, and a hotel and restaurant for Whitbread.

DIARY DATES

PARLIAMENTARY

Today

Commons: Electricity Bill, remaining stages.

Motion on the Lord Chancellor's Salary Order.

Motion on the Medicines (Fixing of Fees Relating to Medical Products for Human Use) Order.

Lords: Football Spectators Bill, report.

Lord Chancellor's Salary Order.

Select committees: Public Accounts: subject, Commonwealth Development Corporation. Witness: Mr J. Caines, Overseas Development Administration. (Room 16, 4.30 p.m.)

Treasury and Civil Service: subject, the Budget. Witness: Mr Nigel Lawson, Chancellor. (Grand Committee Room, Westminster Hall. 4.30 p.m.)

Environment: subject, main estimates. Witnesses: DoE officials. (Room 21, 5.15 p.m.)

Tomorrow

Commons: Opposition debate on pensions uprating.

Debate on safety in construction industry.

Motion on EC document on weights and measures.

Lords: Companies Bill, report.

Police Officers (Central Service) Bill, committee.

Wednesday

Commons: Debate on the Fennell Report on the investigation into the *King's Cross* disaster.

Motions relating to National Health Service Regulations.

Lords: Debate on higher education.

Schizophrenia Aftercare Bill, second reading.

Question to Government on stray dogs and dog licences.

Select committees: Parliamentary Commissioner for Administration: subject, reports of the Health Service Commissioner. Witnesses: Department of Health, Scottish Office and Welsh Office officials. (Room 19, 10.30 a.m.)

Welsh Affairs: subject, the Channel Tunnel's implications for Wales. Witness: British Rail. (Room 18, 10.30 a.m.)

Agriculture: subject, land use and forestry. Witnesses: Council for the Protection of Rural England, Council for the Protection of Rural Wales, Worldwide Fund for Nature and the Institute of Chartered Foresters. (Room 20, 10.45 a.m.)

Trade and Industry: subject, financial services to the single European market. Witnesses: Mr Michael Butt, Eagle Star Insurance, and Mr Joe Palmer, Legal and General. (Room 15, 10.45 a.m.)

Defence: subject, decommissioning of nuclear submarines. Witnesses: UK Nirex and MoD. (Room 16, 10.50 am).

Energy: subject, energy policy implications of the "greenhouse effect." Witness: UK Atomic Energy Authority. (Room 8, 11 a.m.)

Education, Science and Arts: subject, supply of teachers for the 1990s. Witnesses: Mr Kenneth Baker, Education Secretary, and officials. (Room 15, 4.15 p.m.)

Employment: subject, employment effects of urban development corporations. Witnesses: Mr Nicholas Ridley, Environment Secretary, and Mr John Cope, Employment Minister. (Room 8, 4.15 p.m.)

Home Affairs: subject, expenditure and estimates. Witnesses: Home Office officials. (Room 20, 4.15 p.m.)

Social Services: subject, resourcing the NHS - the White Paper Working for Patients. Witness: Dr R. Gruer, National Association of Health Authorities. (Room 21, 4.15 p.m.)

Transport: subject, roads for the future. Witnesses: Middlesex and Oxford Polytechnics and the Railway Conversion Campaign. (Room 17, 4.15 p.m.)

Thursday

Commons: Road Traffic (Driver Licensing and Information Systems) Bill, second reading.

Atomic Energy Bill, second reading.

Lords: Southampton Rapid Transit Bill, second reading.

Debate on EC Report on Ford against the Community.

Football Spectators Bill, report.

Select committee: Employment: subject, Legionnaires Disease. Witness: Westminister City Council. (Room 20, 4.30 p.m.)

Friday

Commons: Private members' bills.

Lords: Debate on report on radioactive waste management.

Debate on research and development in nuclear power.

FINANCIAL

TODAY

COMPANY MEETINGS-
Baldwin, 10 Lower Thames Street, E.C., 11.00
Grafton Group, The *Berkeley Court Hotel*, Lansdown Road, Dublin, 12.30
Rural Planning Services, Gilbert Eliott Corporate Finance, Salisbury House, London Wall, E.C., 10.15
USDC Inv. Trust, 8 Devonshire Square, E.C., 3.00

BOARD MEETINGS-
Finals:
Accord Publications
Asda Props.
Chepstow Racecourse
Computer People
Dewhirst (I. J.)
Durham (D. G.)
Ex-Lands
Fortnum & Mason
Home Counties Newspapers
ISA Intl.
Inchcape
Kymmene Corp.
LIT
Lamont
Lanca
Mowlem (John)
Pennine Optical
Pergamon
Proudfoot (Alexander)
Renaissance
Sema
Interims:
Highland Distilleries

DIVIDEND AND INTEREST PAYMENTS-
Acatos & Hutcheson 5.5p
Britannia Bldg. Soc. Fltg. Rate Nts. 1993 £328.25
Davenport Vernon 4.5p
FKB Group 2p
First Leisure Corp. 2.66p
Fleming American Inv. Tst. 0.87p
Grand Metropolitan 9.5p
Do. 5¼% Cnv. Uns. Ln. 1989 5.1671235p
Do. 5¼% Cnv. Uns. Ln. 1989 (Reg.) 5.1671235p
Halifax Bldg. Soc. Fltg. Rate Ln. Nts. 1992 £165.95
High-Point 2.25p
M & G Far Eastern & Gen. Tst. 1.2p
Nationwide Bldg. Soc. Fltg. Rate Nts. 1995 £163.36
Scottish Eastern Inv. Tst. 6¼% Red. Deb. 85/90 3.125pc.
Warnford Invs. 9p

TOMORROW

COMPANY MEETINGS-
F & C Enterprise Trust, 1 Laurence Pountney Hill, E.C., 12.15
Fil Fyffes, Tailers Hall, Back Lane, Dublin, 12.30
Kleinwort Overseas Inv. Trust, 10 Fenchurch Street, E.C., 12.30
Radius, The Marina Post House Hotel, Castle Street, Hull, 11.30

BOARD MEETINGS-
Finals:
American Plastic Tech.
Ash & Lacy
Barr & Wallace Arnold
Blockleys
Cussins Property
Early's of Whitney
Erith
Fairhaven Intl.
Fields (Mrs) Inc.
Higgs & Hill
Martin (Albert)
Next
Savoy Hotel
Taylor Woodrow
Telfos
Thompson Clive Invs.
Wace
Interims:
Adwest
Portland Hldgs.
Wardle Storeys

DIVIDEND AND INTEREST PAYMENTS-
Central American Bank for Econ. Integn. Fltg. Rate Ser. Nts. 1994 $222.95
Development Bank of the Philippines Gtd. Fltg. Rate Nts. 1990 $225.92
Fil-Fyffes 0.9195
Hongkong & Shanghai Banking Corp. Prim. Cap. Und. FRN 3rd Ser. $119.53
Isle of Man Enterprises 2.25p
Islington Corp. 12.05% Red. 2007 6.325pc.
McAlpine (Alfred) 11.8p
Marine Midland Fin. NV Gtd. Fltg. Rate Sub. Nts. 1994 $24.22
National Australia Bank Und. Sub. Fltg. Rate Nts. $448.79
New Kleinfontein Props. 12cts.
West Hampshire Water Co. B 4.9% Max. (Fmly. 7%) 24.5p
Do. 3½% (Fmly. 5%) 1.75p
Wholesale Fittings 3.25p

WEDNESDAY APRIL 12

COMPANY MEETINGS-
Foreign & Colonial Inv. Tst., 1 Laurence Pountney Hill, E.C., 12.00
Gartmore Information and Financial Trust, Gartmore House, 16-18 Monument Street, E.C., 9.00
Heywood Williams, The Hilton National Hotel, Ainley Top, Huddersfield, 11.45
St. Andrew Trust, 29 Charlotte Square, Edinburgh, 12.30
Wyevale Garden Centres, The Moat House, Hereford, 10.30

BOARD MEETINGS-
Finals:
Acorn Computer
Aquascutum
Avis Europe
Cannon Street Invs.
Connells Estate Agents
Fosoco
Hafnia Inv. Aktieselskabet
Hay (Norman)
Helene
Hewden-Stuart
Jacks (William)
Manaya Group
Mecca Leisure
Needler
Page Michael
Pearl
Polly Peck Intl.
RMC
SMAC
Tesco
Interims:
Dowding & Mills
Smiths Inds.

DIVIDEND AND INTEREST PAYMENTS-
Adeeone Group 2p
Baldwin 1.15
Blick 3.8p
Brown Shipley Int. Currency Fd. Ptg. Red. Prf. 4p
CCA Publications 1.2p
Crown Communications Group 3p
F & C Enterprise Tst. 0.14p
Ireland 12½% Ln. 2008 (Reg.) 6.25pc.
Irish Glass 1p
Meldrum Inv. Tst. 3p
Peters (Michael) Group 1.7p
Stable 1.83p

THURSDAY APRIL 13

COMPANY MEETINGS-
Anglo & Overseas Trust, 20 Finsbury Circus, E.C., 12.15
Ansbacher (Henry) Hldgs., Priory House, One Mitre Square, E.C., 11.45
Appleyard Group, The Waldorf, Aldwych, W.C., 2.30
Bank Leumi (UK), 4-7 Woodstock Street, W., 3.30
Consolidated Venture Tst., 11 Devonshire Square, 10.00
Provident Financial Group, Norfolk Gardens Hotel, Bradford, 12.00
Sedgwick Group, The Chaucer Theatre, Sedgwick Centre, E., 12.00

BOARD MEETINGS-
Finals:
Aspen Comms.
Associated Fisheries
Beacon
Bentalls
Blue Circle
Costain
Davis (Godfrey)
F & C Pacific
McLaughlin & Harvey
Portmeirion Potteries
Rea Brothers
Tudor
Interims:
Lyles (S.)

DIVIDEND AND INTEREST PAYMENTS-
Cantors 1p
Do. A NV 1p
Foreign & Col. Inv. Tst. 1.54p
Hamilton Oil Corp. 25cts.
Motorola Inc. 16cts.
RBC Intl. Capital Fd. Ptg. Red. Prf. 8cts.
Treasury 8% Ln. 1992 4pc.
Do. 9% Ln. 2008 4.5pc.
Woolwich Equitable Bldg. Soc. Fltg. Rate Nts. 1993 £328.79

FRIDAY APRIL 14

COMPANY MEETINGS-
Alliance Trust, Meadow House, 64 Reform Street, Dundee, 12.30
Blagden Inds., Sadlers Hall, Gutter Lane, E.C., 11.30
Freeman Group, Moat House Hotel, Bar Hill, Cambridge, 6.30
Johnston Press, The George Hotel, George Street, Edinburgh, 11.30
Lex Service, 17 Connaught Place, Lex House, W., 11.30
Metal Bulletin, London Press Centre, 76 Shoe Lane, E.C., 12.00

BOARD MEETINGS-
Finals:
Broadcast Comms.
First Chicago Corp.
Futura
PML

DIVIDEND AND INTEREST PAYMENTS-
Amstrad 0.4p
Ansbacher (Henry) Hldgs. 2p
Appleyard Group 11p
Australia *(Commonwealth of)* 9½% Ln. 2012 4.75pc.
B.S.L. Intl. NV Gtd. Fltg. Rate Nts. 1996 $221.18
Bank Leumi (UK) 9.4p
Brierley Invs. 4.5cts.
Brown Shipley Stlg. Bd. Fd. Ptg. Red. Prf. 25p
Cornwell Parker 1.8p
Do. A NV 1.8p
Crest Nicholson 4.65p
Dochus 1.5p
EFT Group 0.5p
Everest Foods 2p
Gartmore Intl. & Fin. Tst. 1.025p
Heywood Williams Group 7.5p
Kuala Lumpur Kepong Berhad M$12.5
Mainmet Hldgs. 0.62p
Mercury Transatlantic Tst. 55p
Morgan (J. P.) & Co. Inc. 41.5cts.
Murray Income Tst. 3.5p
Osterreichische Landerbank AG Fltg. Rate Sub. Nts. 1999 $221.18
Porvair 1.8p
Radius 1.9p
Royal Tst. Gov. Securities Fd. Ptg. Red. Prf. 2.25p
Sweden (Kingdom of) 9¾% Nts. 1993 4.6875pc.
Tarry (E. W.) 16cts.
Yorkshire Chemicals 7p

SATURDAY APRIL 15

DIVIDEND AND INTEREST PAYMENTS-
Alexander & Alexander Services 11% Cnv. Sub. Debs. 2007 5.5pc.
American Brands Inc. 12½% Uns. Ln. 2009 6.25pc.
BCE Inc. 62cts.
CRH 5% Prf. 1.8p
Eldridge, Pope & Co. 6¼% Irrd. Uns. Ln. 3.125pc.
Do. 7½% Irrd. Uns. Ln. 3.75pc.
Federated Housing 9½% Red. Prf. 4.75p
Finland (Rep. of) 11½% Ln. 2009 5.75pc.
Goode Durrant 3½% Prf. 0.875p
Govett Strategic Inv. Tst. 9¾% Deb. 2017 4.9375pc.
Manders Hldgs. 5% Prf. 1.75p
Merton (London Borough of) 11¾% Red. 2017 5.625pc.
Metropolitan Water Southwark & Vauxhall Wtr. Co. 3% Deb. 1.5pc.
Norcros 15¾% Deb. 90/95 7.875pc.
Pacific Gas & Electric Co. 56cts.
Peachey Prop. Corp. 10¾% 1st Mtg. Deb. 2015 5.375pc.
Do. 9½% 1st Mtg. Deb. 2018 4.75pc.
Quaker Oats 30cts.
Rexmore 15% Cnv. Red. Prf. 91/92 5.5p
Richards 4% Prf. 1.4p
Do. 5½% Prf. 1.44375p
Sindall (William) 5¾% Cnv. Red. Prf. 2.0125p
Treasury 5% 86/89 2.5p
Warner Estate Hldgs. 10¾% Prf. 5.375p

SUNDAY APRIL 16

DIVIDEND AND INTEREST PAYMENTS-
Swansea (City of) 13¾% Red. 2006 6.875pc.
Treasury 2½% IL 2020 £1.6258

Trade Fairs and Exhibitions: UK

April 10-14
International Fire & Security Exhibition & Conference - IFSEC (01-868 4466)
Olympia

April 11-13
International Trenchless Construction for Utilities Conference and Exhibition - NO DIG (0923 778311)
Kensington Exhibition Centre

April 13-15
Venture capital and corporate finance exhibition and conference (0491 410222)
NEC, Birmingham

April 17-21
International Maritime Exhibition - EXPOSHIP LONDON (0206 4512)
Barbican Centre

April 23-26
The London International Furniture Show (01-370 8215)
Earls Court

April 25-27
British Electronics Week (0799 2669)
Olympia

April 29-May 1
National Classic Motor Show (0344 486385)
NEC, Birmingham

May 7-9
British Craft Trade Fair (0382 867153)
Exhibition Centre, Harrogate

May 16-18
Energy Exhibition (01-660 8008)
NEC, Birmingham

May 18-20
Scottish Money Show (01-940 2244)
Exhibition Centre, Glasgow

Overseas Exhibitions

April 10-14
International Water Supply Exhibition (0923 778311)
Berlin

April 15-23
Great April Fair (Milan 4997 298)
Milan

April 17-22
Office Equipment, Data Processing & Software Exhibition - SICOB (01-225 5566)
Paris

April 25-29
Office and Communications Technology Exhibition - IFABO (01-977 3474)
Vienna

May 13-17
International Automobile Show (01-379 0765)
Taipei

May 23-26
Asian International Chemical and Process Engineering Exhibition and Conference - CHEMASIA (01-486 1951)
Singapore

June 19-23
International Wine, Spirits & Equipment Exhibition - VINITECH-VINEXPO (01-255 5566)
Bordeaux

Business and management conferences

April 12
Oracle Business Information: Basic accounting for life offices (01-727 3503)
Portman Hotel, London

April 18-19
American Tax Institute: Euro-American mergers and acquisitions, a US tax update (01-935 7502)
Portman Hotel, London

April 26-27
FT Conferences: World electronics - Europe's role in an international industry (01-925 2323)
Hotel Inter-Continental, London

April 26-27
CBI Employee Relocation Council: Managing relocation - conference and exhibition (01-379 7400)
Crest Hotel, Coventry

April 27-28
Cahiers de droit européen: Towards an internal market of financial services - banks, insurance companies, securities (02/647.07.40)
Brussels

April 27-28
Hudson Research International: Europe 1992: Insiders versus outsiders? (Paris (331) 45 55 02 13)
Sheraton Park Tower, London

May 2-3
Peat Marwick McLintock: "High-Tech 1992" (01-236 8000)
London

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there have been no changes to the details published

WE DIDN'T BECOME THE BIGGEST BY BEING SECOND-BEST.

BELIEVE IT OR NOT, American is the biggest airline either side of the Atlantic. By the end of the year, our fleet will number over 700 aircraft. We need them. To service our 3,500 daily departures to over 230 destinations worldwide.*

To America alone, we operate 119 flights a week from 13 European cities. And obviously to good effect.

Last year, readers of Executive Travel magazine voted us 'Best Transatlantic Carrier.'

For the seventh year running, they also voted us 'Best U.S. Carrier.'

Indeed, just months ago we were chosen by Air Transport World as 'Airline of the Year.'

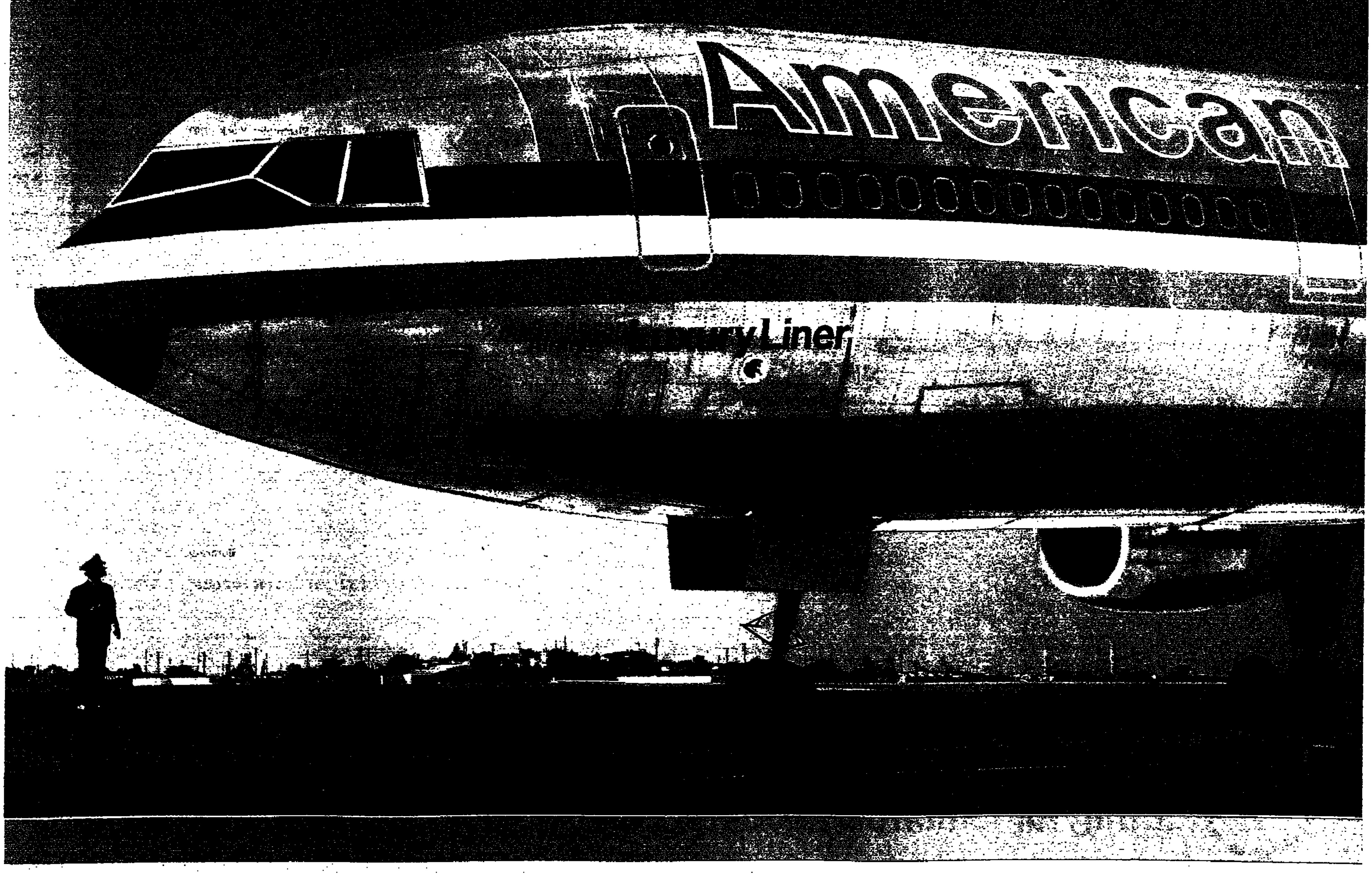
For more information and reservations, call your travel agent or nearest American Airlines office.

One other figure we should mention. The pilot you see standing on the tarmac. He's not simply admiring the plane.

As one of numerous quality control checks, he's making the 360° visual inspection required of all American Airlines' pilots before taking off. All 7,335 of them.

AmericanAirlines
Something special in the air.

*Including American Eagle, our regional airline associate.

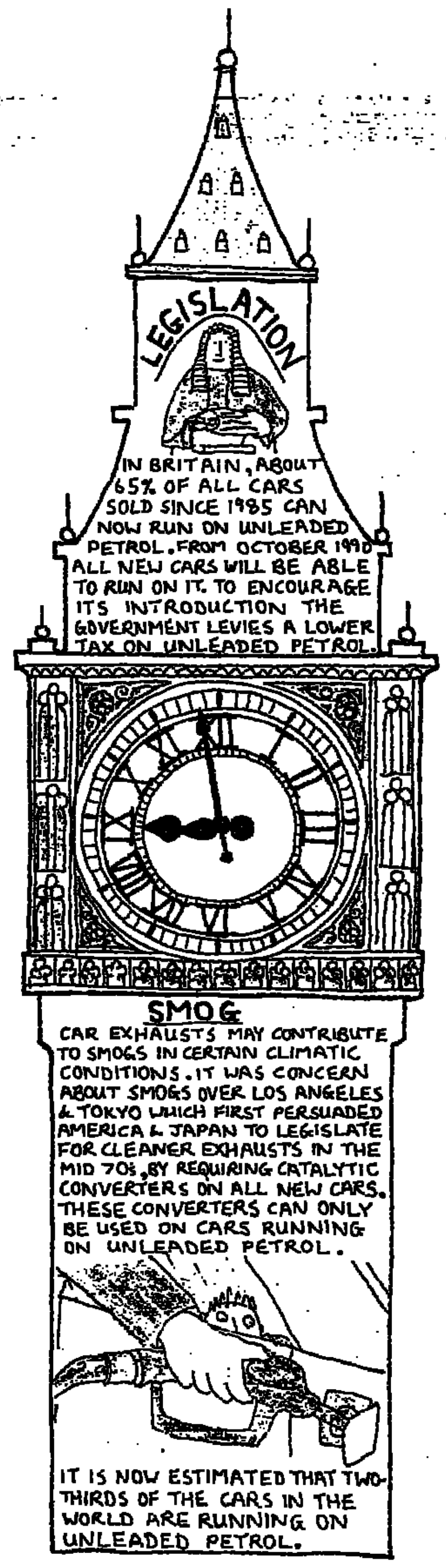


We live on a vulnerable planet. We must learn how to care for it.

During the next few weeks, many people in Britain will see the Esso Unleaded Airship taking to the air.

It is our way of drawing the motorist's attention to the environmental benefits of unleaded petrol.

Three years ago, Esso was the first oil company in Britain to provide unleaded petrol at service stations.



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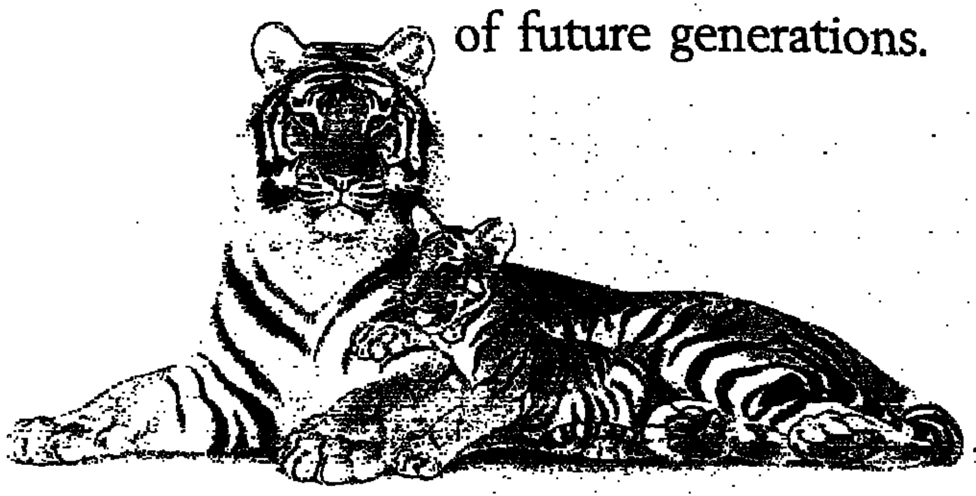

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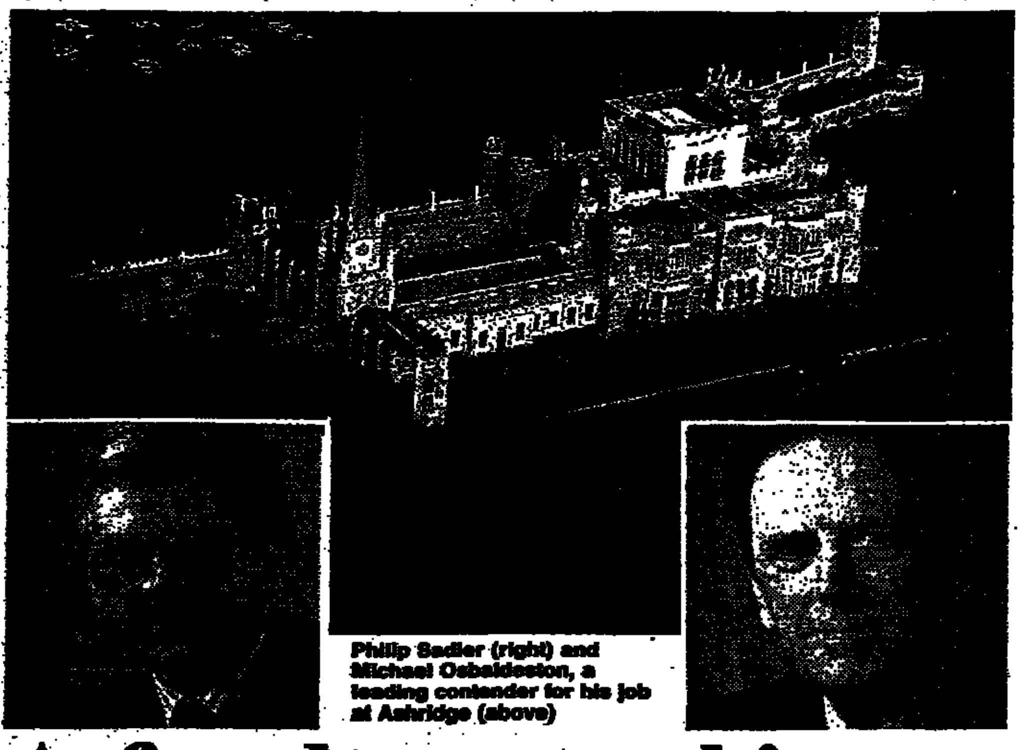
MANAGEMENT



Philip Sadler (right) and Michael Osbaldeston, a leading contender for his job at Ashridge (above)

A faculty preaching what it is practising

Michael Skapinker reports on Ashridge's business-like structure

Twenty years ago, one question worried students at Ashridge Management College more than any other: how much time would they get off to play golf?

"People were here for a jolly in those days," says Philip Sadler, who has been with Ashridge for 25 years and has headed it for the past 20. "The biggest change since then has been in the attitudes of British managers and their willingness to get down to learning in a serious way."

Not that students at Ashridge can be blamed for letting their minds wander from their work. Ashridge's home is a listed neo-Gothic building on a 150-acre Hertfordshire estate, surrounded by National Trust woodland.

Among business academics and personnel professionals, Ashridge has a reputation for high-quality teaching and an innovative approach to management development. In the wider business world, however, it is less well-known than schools like Insead at Fontainebleau.

Ashridge is, to a large extent, seen as Sadler's personal creation. "Philip has been a strong leader who has kept a firm hand on what's gone on," says one member of the faculty. "He has put his personal stamp on Ashridge."

At the beginning of next year, however, Sadler will retire. Sadler says that "inevitably, if there is one boss for 20 years, the succession is more difficult than if there's a change every three to five years."

Staff argue, however, that Ashridge's culture is sufficiently strong to survive Sadler's departure. Certainly, they seem to be a more focused, united and happier group than the faculty, for example, at the London Business School.

Sadler argues that one of Ashridge's advantages is that, unlike LBS, it does not receive government money. That, he says, has forced it to concentrate on what its students want.

When Ashridge was founded in 1959, British companies like ICI and Shell offered to provide it with some financial help for seven years. After that, they said, it would have to be self-sufficient.

In 1969 the school received a £300,000 grant from the Foundation for Management Education. Since then it has not made any appeal for funds from government or industry. Fees charged for its courses cover Ashridge's capital expenditure and its running costs. It has recorded a surplus for each of the past 20 years.

"What Philip set out to prove is that you can run a business school like a business," says Michael Osbaldeston, a senior faculty member and one of the leading candidates to succeed Sadler. As part of the process of making Ashridge more business-like Sadler last year changed his title from principal to chief executive.

He has also turned Ashridge into a holding company for four separate areas of business. The largest business division is the management college, which is headed by Osbaldeston. It covers all the training courses run by Ashridge, as well as the new Masters of Business Administration programme.

The MBA was introduced last year, partly, Sadler says, because people outside the UK could not understand how a business school could really exist without one. The Ashridge MBA is, however, different from most other courses on offer. Although it is a one year programme, participants come to Ashridge for a total of only 18 weeks.

They spend the rest of their time in their own organisations, working on several small projects and one major one. The large project should be work that the company would have done anyway, says Laurence Handy, the MBA director.

One of the members of the 1989 MBA class, Jon Foster-Pedley, says that the project was a major factor in persuading his employer, British Aerospace, to allow him to do the course. Foster-Pedley, a former pilot, is examining possible collaborative manufacturing ventures that British Aerospace could enter into with other companies.

The 22 members of the Ashridge MBA class differ in several respects from their counterparts at other business schools. With an average age of 34 they are older than students at other European business schools, who tend to be in their late twenties or early thirties.

While many students at other business schools use their MBAs as a way of changing companies and careers, most of the Ashridge class return to their own organisations.

Although Ashridge's other areas of business are less well established than the teaching college, they too provide evidence of the institution's bias towards innovation. All business school academics practice as management consultants. Ashridge has gone further by setting up its own management consulting company.

The consultancy, Ashridge Management Development Services, provides companies with advice on human resources issues. The consultancy was set up in 1986 because of "our growing recognition that we needed to offer a wider range of services. Courses have great strengths, but they also have some limitations," says Peter Beddowes, the consultancy's managing director.

Beddowes says that there was another reason why Ashridge thought it should get into consultancy: consultants were beginning to offer their clients training and management development. "Our analysis of the market showed that the barriers between consulting and training activities were breaking down. For competitive reasons we felt we had to move into consultancy," Beddowes says.

The consulting business is still small, with fee income of £1m last year. The other business areas also have some growing to do. The Ashridge Management Research Group, the third Ashridge division, was set up to ensure that the organisation kept an eye on developments in management.

Valerie Hammond, its director, likens it to the research and development department of a large corporation. By setting up a separate research division, she says, Ashridge ensured that there was a group of academics "freed from the need to stand up in front of a group of people tomorrow. It's a way of making sure that attention is given to long-term issues."

Hammond admits that the research group, which is not required to show a profit, does have its critics. Ashridge is primarily a teaching rather than a research institution. "Some people will have come to Ashridge because they didn't want to do research," she says.

The fourth Ashridge division, the Strategic Management Centre, also carries out research and consulting work. It is headed by Michael Goold and Andrew Campbell, whose major area of interest is the role of corporate headquarters in multi-business companies.

Goold and Campbell are based in London. They will shortly be moving to larger premises, which will become a second Ashridge base, providing seminars and career counselling.

Ashridge is thinking of setting up a third centre – probably outside the UK. Sadler says that Ashridge would like to be seen as an international rather than a British school. Although it attracts students from abroad and has run courses in other countries, the Ashridge faculty is still overwhelmingly British.

Becoming international is the goal of many European business schools. In all but a handful of cases, it has proved an elusive target. Ashridge, Hertfordshire is unlikely to shed its British image. Ashridge, Germany – or France, Switzerland or Italy – stands a better chance.

Employee problems

Giving more than just a sympathetic ear

Sara Webb explains the value to Swedish companies of corporate psychotherapists

When an employee of a Swedish multinational arrived home one day to discover that her daughter had committed suicide, the company was swift to step in, providing a psychotherapist to offer counselling.

This is not an isolated case. For years, Swedish companies have considered it worthwhile to employ, or retain on a consultancy basis, psychotherapists and social workers to sort out the problems faced by their employees – whether divorce, financial difficulties, suicide, alcoholism, drugs, depression, stress or personality clashes in the office.

Though there is of course a humanitarian aspect, it also makes financial sense from the company's point of view to provide such a service free of charge.

"If our consultant can get four people back to work each year, she has covered the cost of her salary," says Ragnhild Svedling, personnel manager at Svenska Dagbladet, Sweden's leading conservative daily newspaper. "We think of it as a way of saving money."

Carin Atmer, one of five consultants employed by SAS, the Scandinavian Airline, puts it this way: "If you have one person with a problem, it can affect all 10 or 15 people they are working with and a lot of energy is wasted, especially if the problem continues for a long time."

A service company like SAS, where personnel costs are among the largest item on the group's bill, acknowledges that it can save money if its employees work well and are happy doing their jobs. It certainly does not pay to have miserable staff coming in contact with the airline's passengers.

SAS has two part-time and three full-time psychotherapists working in Sweden, and has recently started to offer treatment and advice on prevention in Denmark and Norway.

"People tend to take their problems at home to the workplace. We teach managers what changes to look out for in someone's behaviour or working performance," says Atmer.

Telltale signs could include mood changes over a long period of time, aggressiveness, a tendency to leave early and arrive late, bunking off on Mondays and Friday afternoons, asking for extra days off and taking longer than necessary to complete assignments.

Then it is up to the department manager to try to find out why the employee is not working as well as he or she can, and if there is something wrong at home or at work. They are advised to sort out whatever problems they can themselves or else refer the employee to the pyschotherapist, even to the extent of arranging an appointment.

In most cases, people seem prepared to attend the appointment (and to tolerate a degree of interference which other nationalities might wince at) because they know that their problems will be treated confidentially – and not because they fear being sacked or demoted.

If you have one person with a problem, it can affect all the people he or she works with

"I think they feel uncomfortable coming to us at first about difficult problems but that is something we work with and talk about. There are always cases which are very difficult; some people prefer to go to other colleagues or psychotherapists outside the company. But I meet people in the canteen, and at the bus stop, who say it has helped," says Atmer.

Alcohol abuse and bullying are two of the worst problems in the workplace in Sweden. A recent report by the Work Environment Institute found that more people in Sweden commit suicide each year because of bullying at work than die from accidents in the workplace.

"It's very difficult to deal with because people are too ashamed to admit it and often the bully doesn't realise what is happening," says Atmer. "Sometimes you have to separate the people involved; other times you have to work with the whole group."

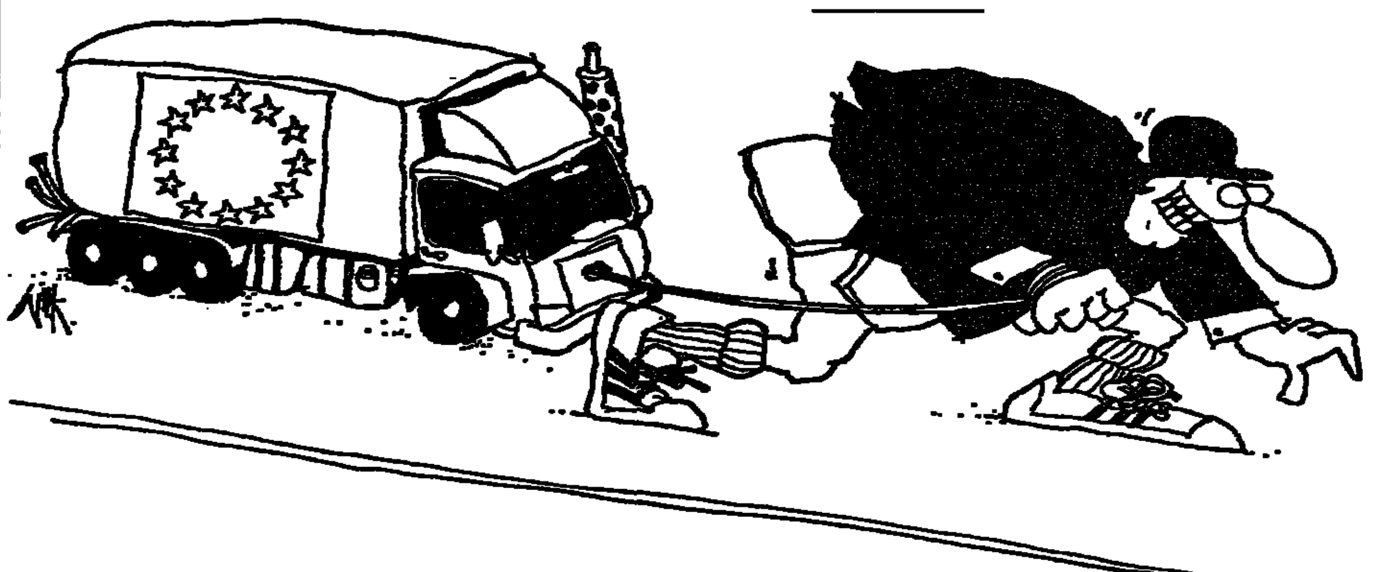
At Svenska Dagbladet, union representatives pushed the company to employ a full-time consultant back in the early 1980s – long after other companies had – in order to help with social problems.

"The main problem is with drinking," says Benita Haeg, the newspaper's psychotherapist. She has contacts in the administration, editorial and graphics departments and relies on colleagues of anyone with a problem to contact her as very few alcoholics (mostly men) come forward of their own volition.

Sometimes the Social Services office and members of the person's family will be encouraged to help put pressure on the employee to give up drinking or be treated at a clinic.

Once they have been cured, the company makes them sign a contract to the effect that they will not be allowed to come to work if they have been drinking, that they are not allowed to drink at work, and that if ill, they must provide a doctor's note from the first day of absence. The company can even demand a breathalyser test if it suspects that someone is breaking this contract – "but we're not rushing into people's offices testing them for alcohol consumption," adds Svedling.

In Sweden, at least, people seem restrained in their public consumption of alcohol. "If a journalist drinks at lunchtime, people notice – it's a social taboo," says Svedling. "But people with drink problems cause their colleagues so much trouble and when a whole group doesn't work well it costs a lot of money. Our concern is how drink affects their work and the rest of the group, and sorting that problem out – but we're a company, not a clinic."



ARTS

ARCHITECTURE

Echoes of the Renaissance

Colin Amery reviews the career of gold medallist Renzo Piano

Renzo Piano is an underrated talent. Although this year he joins a distinguished international list of RIBA Royal Gold Medallists, he remains relatively unknown. I consider Piano to be a key influence on the future development of contemporary architecture because he is not remote from the activity of building, and understands the practical consequences of innovation.

Interestingly enough, he has said that his source of inspiration is the Florentine Renaissance genius Filippo Brunelleschi, an architect who made his own tools and who struggled in the practical arena. Piano himself shows a willingness to experiment, a lack of antiquarianism and an intense practicality. These are the values that link him to the Renaissance.

Is it far fetched to see some of the sources of structural inspiration for Piano's work in the rib construction of the dome of San Lorenzo in Florence? What Brunelleschi called "with crests and sails," suggests canvas stretched over ribs. There are echoes of this in some of the membranes designed by Piano. In a recent interview with Vittorio Gregotti, published to coincide with Piano's last London exhibition in 1987 at the 9H Gallery, Piano described how he, like Brunelleschi, designs special tools to make parts of his buildings. Recent interesting examples were the moulds for the ferro cement elements of the roof of the Menil Museum in Houston.

One of the most refreshing things about Renzo Piano is that he is interested in ideas – as he says, "ideas not egos." He is also interested in action, and it is his particular backgound that informs his very individual way of working. He was born in 1937 in Genoa (his father was a builder), graduated from Milan Polytechnic and soon went off to the US where he worked with Lou Kahn in Philadelphia until 1970. He came to international prominence in 1971 when his partnership with Richard Rogers won the competition to design and build the Pompidou Centre in Paris.

Today he operates as an international architect based mainly in a medieval palazzo in the Piazza San Matteo in Genoa. He calls his office "The Building Workshop," and it encompasses far more than just architecture. Engineers, architects and a variety of craftsmen work together in teams to discover ways to innovate and develop a unified approach to building. They also work on product design and the discovery of new materials.

The development of an experimental car for Fiat runs parallel to the invention of mobile construction units for a United Nations housing project in Senegal.

Renzo Piano

Plans for a new underground Metro in Genoa and the redevelopment of the docks bring transport and all its associated problems into the office. The practice has offices in Paris, Osaka and Los Angeles.

One of his most important recent commissions was the museum for the De Menil collections at Houston in Texas. Mrs De Menil felt that Piano's forte would be her difficult brief for a large air conditioned museum that would sit neatly among the grey and white clapboarded houses near the Rothko chapel in Houston.

The demands were extraordinary for intimate yet public spaces: natural light, but controlled because of its Texan intensity: room for the public but the maximum possible space for the curatorial staff.

Piano collaborated with the English engineer Peter Rice to develop the ferro-cement roof shells that give shelter while shading the galleries from the strong light. In true Piano fashion it is these engineering and functional elements that help to give the building much of its architectural life.

Also in the museum we can discover other aspects of Piano's imagination. His inclusion of nature – wonderful indoor tropical gardens as a background to primitive sculpture – is mastery.

Piano's victory in the recent competition for Japan's new Kansai international airport is of great importance. An Italian designer working on a huge public project in Japan is unusual.

For the Kansai airport Piano's particular ability to combine nature and technology is vital. The airport is to be built on an artificial island in Osaka Bay which Piano wants to see extensively planted with trees. The green areas will extend right into the terminals, where the elegant curved structure is not unrelated to natural forms.

There is lingering evidence of the fascination with moving large numbers of people that dominated the Pompidou Centre, but Piano has chosen a more elegant technology to produce distinguished interiors.

The vast airport is intended to serve the whole of Japan at a cost of $800m and will be completed in five years time. It is likely to be the world's most efficient and beautiful airport in spite of its vast size – the passenger building is one mile long.

This year a rehabilitation project has been exhibited for public comment. This is the Piano proposal for the transformation of the Fiat Lingotto factory in Turin.

Piano was selected from an international group of 20 architects who put up a wide range of proposals for the reuse of the 60-year-old car plant designed by Matte-Trucco, famous for the looping test track that runs on the roof where new models were tested at speed.

Piano's proposals see the Lingotto as a new centre for services and research and training in the new technologies. There will be a museum and laboratory of manufacturing as well as one of the most up to date conference facilities in Europe. Nature will once again invade the Lingotto with massive planting of trees on the terraces of the building and avenues that will link the centre to a new park.

In his ability to unify the art of architecture with the spirit of technology Piano is that rare creature – an "artist-architect."

Dominic Keating and Ronan Vibert (with Tariq Yunus, centre, as the Gaoler) in *Amongst Barbarians* by Michael Wall which has opened at the Hampstead Theatre. Martin Hoyle reviewed the Mobil prize-winning play at the Royal Exchange, Manchester, in February. It remains a tough, raw and compelling study of two Britons on death row in Malaysia for drug trafficking, and there are new resonances in the study of ignorant Englishmen abroad in a climate of moral and legal absolutism. Brilliant performances by the boys and entertainingly grotesque ones by their visiting relations (Avril Elgar, Rosalind March, Kathy Burke and Christopher Hancock) in James Maxwell's production prompt fruitful comparisons with Paul Kember's *Not Quite Jerusalem* and Anthony Minghella's *Made in Bangkok*, other 1980s excoriations of the tourist in colonial distemper. MC

The March on Russia

LYTTELTON THEATRE

If it does nothing else, this moving and impeccably presented National Theatre reunion for a venerable Royal Court combination restores a unique quality to the British stage. This quality resides in a discussion, poised somewhere between the agony of experience and the ecstasy of puritanism, as to the significance of achievement and the value of domestic life in all its turbulent tranquillity.

The writing, directing and design team of David Storey, Lindsay Anderson and Jocelyn Herbert have been here before, notably in the 1969 prequel *In Celebration*. In that play, a miner and his wife celebrated their 40th wedding anniversary with three returning sons. The air turned blue with acrimonious truth-telling. Gentler in surface atmosphere, *The March on Russia* gives us a similar couple (played by the same wonderful actors, Constance Chapman and Bill Owen), waking up on their 60th anniversary and joined by two daughters and a middle, rather tortured, son.

Both plays have a party in the interval. Both start with arrivals and end in departures. This time, though, the focus is on the old couple, the Pasmores. Storey's creative recycling of his background material takes a new twist here. In his 1972 novel *Pasmore*, the eponymous hero, Colin, goes home to Yorkshire when his marriage breaks up and drifts through his own past like a ghost. Incipient mental collapse is on the agenda here, too, with Frank Grimes freezing wordlessly in the hallway and his father, as death approaches, re-living in a rapturous monologue a futile march to Sebastapol during the Crimean War.

The novel ends with Colin resuming his marriage to Kay. His sisters are much as they were, though the councillor Wendy (Rosemary Martin) has renounced the Labour Party and is about to divorce her husband, and Eileen (Patsy Rowlands), the eldest – can she *possibly* is be over 50? – is still a domesticated appendage to her teacher husband. Colin, an academic, has written about a prophetic evangelist of the early 19th century who predicted the despoliation caused by the Industrial Revolution before it happened. He is now researching New York.

Although the visual apparatus of a Storey play is initially dispiriting – candlewick dressing-gowns, carpet slippers, tea cups, cheap furniture – the intensity and realism of the acting under Anderson's masterly supervision banishes all hint of dowdiness. Many a sharp lesson is here despatched to recent Lyttelton occupants.

The four scenes are punctuated with some plangently appropriate Alan Price music, the lighting of Mick Hughes renders the onstage seaside bungalow (with dormer bedroom) both transient and transparent, the blueness of dales and sky is an exquisitely looming metereological extraction, you hear every word.

There is also a sacerdotal dignity to the small rituals of getting out of bed, putting on the kettle, waving goodbye. The routine fragility of a long marriage is dangerously exposed by Mrs Pasmore's tight-lipped disapproval of a husband who shines his shoes on a kitchen towel. The present of a second hand ring, bought for the inscription "Te Amo", lends fuel to a cruel dissertation on old Tommy's senile kleptomania. The communication, normally conducted in the daily business of crossword clues, is suddenly full of real cross words.

But, as usual, Storey gains his tragic purchase by battening down the hatches, sweeping under the carpet. Next morning, they carry on, the children leave. Bill Owen, completing a great performance that mocks his facile Compo in *Last of the Summer Wine* TV, sobs noiselessly upstage. His depression will be suppressed, along with the Revolution he marched pointlessly to defeat.

Michael Coveney

Chelsea Opera Group

QUEEN ELIZABETH HALL

Massenet's *Thaïs*, a well-made, subtle, beautiful, and, I believe, serious opera, is the latest undertaking of the Chelsea Opera Group. It is an underrated work and also, by comparison with other Massenet operas rediscovered in the "Massenet revival" of the 1960s and '70s, a somewhat underperformed work.

Chelsea Opera Group has always been at its best "making a case" for underrated, underperformed pieces. Thursday's concert performance at the Queen Elizabeth Hall was the Group at its best. The opera was excellently conducted; by the COG orchestra admirably well played; by a team of young opera singers, almost all English, quite remarkably well sung – and the case was made with triumphant success.

By reputation, and because of the great fame of the Meditation as an extrapolated item, *Thaïs* has acquired an aura of saucy second-rateness which it does not deserve. The theme – the courtesan and the monk who "change places" – is a complex one. Massenet treated it at once lightly ironically, and with touching compassion for human frailty.

It is not an opera that performs itself. The marvellous delicacies of French word-setting need focussed voices and uncluttered declamation; Massenet's tempo markings and expressive indications make it clear that the opera should be kept moving forward, without fuss or soupiness. Thursday's conductor, Michael Lloyd, an ENO staff member, showed an altogether admirable command of Massenet style. At times he risked urging the music along even too briskly but in the main, the combination of forward movement and great sensitivity to details of lyrical line, word-play, and Massenet's Bizet-like orchestral colouring was exactly what the work wanted.

Thaïs was Elizabeth Gale and Athanaël Anthony Michaels-Moore: a winning formula. Miss Gale steered clear of the fake sexiness of timbre that is so utterly foreign to the work's conception. Her manner in the early stages was witty, fragrant, with hints of desperation finely applied in the Mirror Aria; and in the later, serene and delicate. This was a performance of immense skill, and it was superbly well complemented by Mr Michaels-Moore, surely the finest British male singer to emerge since Thomas Allen.

If the ENO were to perform *Thaïs* these two singers and Mr Lloyd as conductor would form the basis of a sound production. Justin Lavender's Nicias was a touch less stylish, but still most attractive in tenor tone; the monk Palemon introduced us to the young French bass Nicolas Cavallier, whose utterance of words put the British cast members in perspective without shaming them by comparison. The ballet music was cut, wisely: otherwise, the opera was complete, and with one interval fairly whizzed along. Bravo!

Max Loppert

London Philharmonic

FESTIVAL HALL

After a week of more or less drab concerts from the Philharmonia Friday's Festival Hall appearance by Simon Rattle and the London Philharmonic came as the most invigorating tonic. David Murray wrote in glowing terms last week of the same combination's performance of *The Creation*, and if that occasion kindled anything like the level of excitement generated by this programme of Boulez, Dutilleux and Mahler it too must have been a rare treat. Rattle regularly begins his concerts in Birmingham with "difficult" contemporary works, but in London it remains a rare phenomenon.

The four *Notations*, Boulez's orchestral expansions of the set of 12 piano pieces from 1943, which are yet another of his works in progress, make a splendid concert opener - vividly coloured and an ear-catching demonstration of orchestral virtuosity.

The focus in each on a single idea, and the inevitable echoes of Messiaen which the rescorings almost deliberately emphasise, provides an unusually direct *entrée* into Boulez's working methods; they may only be chips from the creative block, but they promise to become the most widely performed of all his orchestral pieces.

Here they were presented with arresting intensity, and made such an impression in a tiny span that Dutilleux's *Métaboles* of 1964, a similar succession of short orchestral movements, was immediately made to seem hopelessly diffuse by comparison. But it remains one of Dutilleux's most successful orchestral pieces, a curious marriage of Debussyan sensuousness and neoclassical rhythmic strictness, rather more convincing than some of his longer attempts at building large-scale forms.

How Rattle and the London Philharmonic had managed to prepare all three works in this concert to such a level of technical accomplishment was astonishing in itself.

They followed the scrupulous Boulez and Dutilleux with Mahler's First Symphony, in which refinement of texture and line seemed to be almost as telling as the relentlessly accumulated dramatic tension.

In most of the symphony the two qualities were held in perfect balance, though the funeral march was so elegantly shaped and well balanced it tended to lose its despairing edge; the moulding of the trio and the slower episodes of the finale suggested just as much care had been expended upon getting those just right as upon burnishing the spectacular perorations.

The finale was, though, gloriously crowned, a celebration founded upon plentiful resources of string and brass tone and unfaltering dramatic flair; when Rattle gets round to recording this work it will be an interpretation to take very seriously indeed.

Andrew Clements

Mozart and Salieri

ALMEIDA THEATRE

The most interesting thing about this 50-minute presentation of Pushkin's "little tragedy" is the backstage collaboration. Pushkin was translated into German by Manfred Karge, the rival composers played by Tilda Swinton and Karge's wife, Lore Brunner, at the Burgtheater in Vienna in February. The actresses translated Karge's text into English and now perform their work in Islington, where the Almeida Theatre is co-producing with both the Burgtheater and the Hebbel-Theater of Berlin.

This exercise in international co-operation is rather more fascinating than either play or performance. The play has the unsettling effect of making you yearn for Peter Shaffer's *Amadeus*, while the performance, heavily reliant on a poorly recorded and manufactured soundtrack, is cold, mannered and pleased with itself.

A sort of sheeny arrogance is, I concede, the proposed style, though nothing is made of the transvestite casting. Salieri's piano, where Swinton as Mozart thumps out a simple minuet and the dark underworld of the Requiem on a dummy keyboard, is tilted dramatically towards the audience, as is the table in a restaurant where Brunner's envious rival pours the empoisoned wine. Busts of the composers sit on the floor, pink candelabra glisten in the dark, a black doorway stands freely in the peripheral void, where Mozart first appears in a Groucho Marx face mask with a blind busking violinist (Barbara Schmid) in tow.

Shaffer's Salieri objected to God using a foul-mouthed wretch as a conduit for divine music. Pushkin leaves God out of it, but argues that Mozart's genius is an anti-social deterrent to music-making in perpetuity. He therefore justifies his murder on behalf of all mediocre colleagues and admirers.

The ironic suppleness in Pushkin is flattened out in performance and translation to a dull grumpiness. Swinton does not go down the Shaffer road of filthy swishness, but plays Mozart as a serene and limber monkey, grinning sideways on at the audience as if she were an ingratiating ivory-tinkler like Russ Conway or Mrs Mills.

The sketch is padded out by a voice-over recounting Pushkin's sense of identity with Mozart and the circumstances in which he wrote the play. It would have been better to have expanded inwards to the heart of Salieri's confusion over what Mozart did to upset the apple-cart so carefully assembled by Gluck. The end result is just superficial and thin.

The translation, too, is very poor, full of awkward archaisms, jumbled metre and unedifying enjambent. Much wiser, surely, to have reverted to Antony Wood's fine 1982 translation first performed on BBC Radio 3 in 1982 by the doughty Shaffer protagonists, Paul Scofield and Simon Callow.

Michael Coveney

Adelaide Hall at Riverside

Singer Adelaide Hall, whose career began on Broadway in the 1920s, is to make three appearances at Riverside Studios, London, W.6., on April 18, 19 and 22.

She will be joined for them by multi-saxophonist Benny Waters, whose career also began in the 1920s.

ARTS GUIDE

April 7-13

MUSIC

London

Royal Philharmonic Society, conducted by Sir Neville Marriner, with the Academy and Chorus of St Martin in the Fields, with Neil Mackie (tenor). Berlioz, Overture, King Lear, Britten, Mendelssohn. (Mon) Royal Festival Hall (928 8800).

English Chamber Orchestra, conducted by James Judd, with Natalia Gutman (cello). Tchaikovsky, Bartok (Tue) Barbican Hall (638 8891).

Orchestre National De Lille, conducted by Jean-Claude Casadesus, with Yuri Bashmet (viola). Catel, Dutilleux, Xenakis, Berlioz. Royal Festival Hall (Tue) (928 8800).

Royal Philharmonic Orchestra, conducted by Jean-Bernard Pommier, with Cécile Ousset (piano). Debussy, Ravel and Berlioz. (Wed) Royal Festival Hall (928 8800).

Paris

Isaac Stern, Jean-Pierre Rampal, Mstislav Rostropovitch: J.-C. Bach, Telemann, Haydn, Mozart (Mon) Salle Pleyel (45638873).

John Aler, tenor, Michael Gordovana, piano (Mon). Théâtre de l'Athenée (47426727).

Ensemble Intercontemporain conducted by Pierre Boulez. Berio, Strauss (Mon) Chatelet (42210086).

Ensemble Orchestral de Paris conducted by Arpad Gerecz, with Arleen Auger, soprano. Sibelius, Britten, Schubert (Tue) Salle Gaveau (45632030).

Berliner Symphoniker conducted by Claus Peter Flor, with Margaret Marshall, soprano. Mahler (Wed) Chatelet (40282828).

Orchestre de Paris conducted by Semyon Bychkov: Mozart, Shostakovitch (Wed, Thur) Salle Pleyel (45630796).

Vienna

Kuchl Quartett. Webern, Schoenberg, Haydn. Musikverein (Wed).

Gustav Mahler Jugendorchester, conducted by Claudio Abbado. Janacek, Mahler, Stravinsky. Musikverein (Mon).

Organ Recital by Herbert Tachezi. Franck, Liszt, Brahms, Schmidt, Reger. Konzerthaus (Wed).

L'Association Maruice Ravel, conducted by Jean Philippe Rouchon. Ravel, Debussy. Konzerthaus (Thurs).

Cologne

Vienna Symphonic Orchestra conducted by Georges Pretre. Beethoven, Brahms and Ravel. Philharmonie (Wed).

Berlin

Württemberg Chamber Orchestra and Maurice Andre (trumpet) conducted by Joerg Faerber. Bach and Telemann. Philharmonie (Thurs).

Amsterdam

Royal Concertgebouw Orchestra conducted by Charles Dutoit, with Ronald Brautigam (piano). Bernstein, Stravinsky, De Falla (Thur). Concertgebouw (718 345).

Milan

Cheryl Studer, soprano recital *accompanied by Irwin Gage*. Teatro alla Scala. (Mon) 809126.

Rome

Chamber Orchestra of the USSR conducted by Christian Mandeal. Mozart, Beethoven, and Strauss (Mon, Tues) 6541044.

Jon Kimura Parker, piano recital. Schumann, Prokofiev, Brahms and Chopin. (Wed) (393304) Teatro Olimpico.

New York

Murray Perahia piano recital. Beethoven, Rachmaninov, Schumann, Liszt. Carnegie Hall (Mon) (247 7800).

Prism Orchestra conducted by Robert Black. Duprey, Sladek, McKinley. Merkin Hall (Tue) (362 8719).

New York Philharmonic conducted by Klaus Tennstedt with New York Choral Artists directed by Joseph Flummerfelt. Haydn programme. Avery Fisher Hall (Tue) (874 6770).

Boston Symphony conducted by Seiji Ozawa with Anne-Sophie Mutter (violin). Cage, Stravinksy, Debussy. Carnegie Hall (Wed, Thur) (247 7800).

Waverly Consort conducted by Michael Jaffee. The English Baroque from Purcell to Handel including works by Blow, Rossi and Gay. Alice Tully Hall (Thur) (874 6770).

New York Philharmonic conducted by *Gunther Herbig* with Alicia de Larrocha (piano). Haydn, Mozart, Tchaikovsky. Avery Fisher Hall (Thur) (874 6770).

Chanticleer, a male a cappella group sing a wide repertory of Rensaissance, romantic and contemporary songs including works by John Geist, Cary John Franklin. Kaufmann Hall (Thur) (415 5440).

Washington

National Symphony Orchestra conducted by Pinchas Zukerman. Mozart, Vivaldi. Kennedy Center Concert Hall (Thu) (254 3776).

National Symphony Orchestra conducted by Mstislav Rostropovich with Vladimir Ashkenazy (piano). Dvorak, Ravel, Brahms. Kennedy Center Concert Hall (Thur) (254 3776).

Chicago

Chadamin Trio. Haydn, Debussy, Brahms. Orchestra Hall (Mon) (435 0012).

Chicago Symphony Orchestra conducted by Michael Tilson Thomas with Dale Clevenger (horn). Haydn, Ives. Orchestra Hall (Tue) (435 0012), and also with Emanuel Ax (piano). Ives, Brahms. Orchestra Hall (Thur) (435 0012).

Tokyo

Eeva Koskinen (violin). Sibelius, Bartok, Schubert. Casals Hall (Mon) (011 661 5371).

Tokyo Philharmonic Orchestra, with Eva Lind (soprano) conducted by Miguel Gomez-Martinez. Donizetti, Rossini, Puccini, Verdi, *Bellini*. *Suntory Hall*. (Tues) (505 1010).

Japan Philharmonic Orchestra, conducted by Witold Rowicki. Mendelssohn, Tchaikovsky. Suntory Hall (Wed) (583 8151).

NHK Symphony Orchestra, conducted by Yukio Kitahara, with Vladimir Ovchinokov (piano). Wagner, Liszt, Shostakovitch. NHK Hall, Shibuya (Thurs) (465 1781).

SALEROOM

Islamic week in London

A ceramic lemon squeezer is expected to sell for £1,000 at Sotheby's on Wednesday. It was made in Turkey in the mid 18th century and is very similar in design to today's models. The Turks squeezed millions of lemons to make their favourite tipple, lemon sherbet.

The squeezer forms part of Islamic week in the London salerooms. Among the highlights are some very rare Qur'ans. Sotheby's is offering today a magnificent 16th century Safavid Qur'an illustrated with alternating blue and gold script, which could make £120,000, while Christie's tomorrow has two early Qur'ans, one dating from the 10th century, which is very rare in being complete and written on vellum. It, too, should top £100,000.

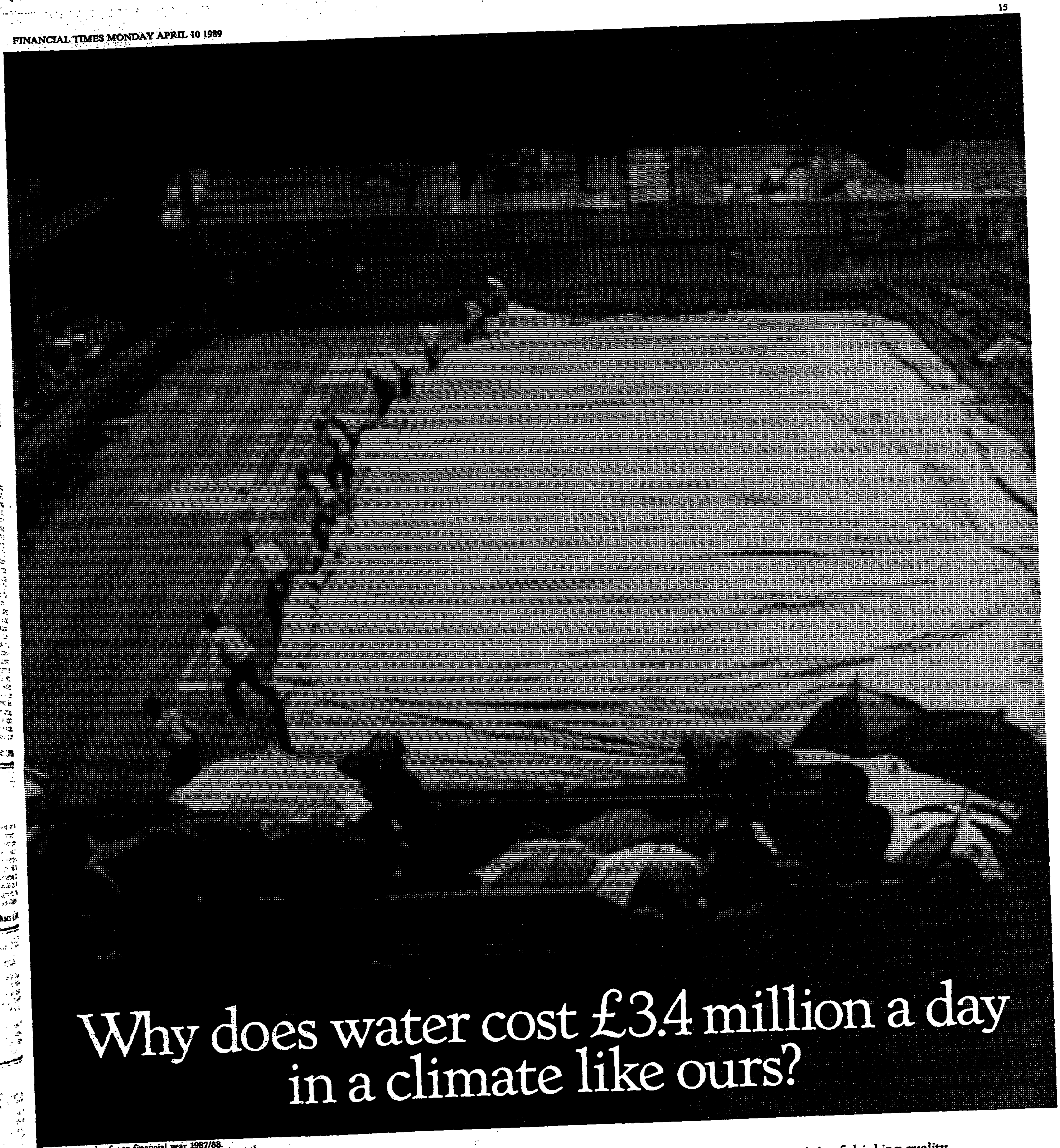
In complete contrast Christie's is offering on Thursday a "gothic" stone candelabrum made by Coade in 1810 for the conservatory which formed the garden front of Carlton House in Pall Mall, the Prince of Wales's "Palace of Aladdin." In all ten of the candelabra, almost seven feet high, and costing 250 each, were supplied. They were modelled on the Henry VII chapel at Westminster Abbey, and are fine examples of Georgian "gothic." This rarity is estimated at up to £12,000.

Alan Bond, the Australian brewing millionaire and the buyer of the most expensive work of art in the world, Van Gogh's "Irises," which cost him £30m, is also a collector of Australiana. He could be interested in a tiny book, measuring just six inches by four, which comes under the hammer at Sotheby's on Thursday. Entitled *A Journal of discovery across the Blue Mountains in New South Wales*, it is a previously unrecorded copy of a work first published in 1821, describing the pioneering journey of Gregory Blaxland into the interior of Australia. Only eleven other copies are known to survive and a price of up to £80,000 has been fixed.

Phillips in Bath today is disposing of what it claims to be the largest collection of pipes to be sold at auction, over 600 in all, from meerschaums to opium pipes, and including pipes from the collection of Stanley Baldwin.

There are many important sales of photographic images this year to cash in on the 150th anniversary of the invention of the art, but one of the most worthwhile will be held at Christie's South Kensington on Wednesday evening when 80 contemporary photographs, by the likes of Cecil Beaton, Helmut Newton and Angus McBean, are sold for the benefit of the Sportsmans Aid Society and Harefield Hospital.

Antony Thorncroft



Figures quoted refer to financial year 1987/88.

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Nuclear arms realities

AFTER THE eulogies and *bonhomie* which marked Mr Mikhail Gorbachev's visit to Britain, nothing has been as sobering as the disastrous Soviet nuclear submarine accident off Norway. While Mr Gorbachev and Mrs Margaret Thatcher have been talking relatively calmly about the pros and cons of the theory of nuclear deterrence, here is an incident which has brought the world face to face once again with the harsh realities of nuclear power and arms.

The accident itself does nothing to validate or invalidate either the Soviet President's or the British Prime Minister's arguments. Mr Gorbachev, no doubt, will maintain that it does no more than justify his call for international agreements leading to a nuclear-free world. Mrs Thatcher will find in it a confirmation of her insistence that the West must keep up its nuclear guard in the face of the Soviet Union's continuing military strength.

But what cannot be disputed is that the accident, coming so soon after Mr Gorbachev's outspoken remarks on the need for nuclear disarmament, throws a spotlight again on the whole arms control process. Mr Gorbachev's warning that progress in the Vienna conventional arms talks was necessarily linked to Nato's decision on the updating of tactical nuclear weapons is a salutary reminder that the West must get its act together quickly on this controversial matter.

Public opinion

Unfortunately, British public opinion has been given the impression that, in the argument between the Soviet and British leaders over nuclear weapons, Mrs Thatcher was acting as the spokeswoman of a united Nato alliance. That is far from being the case. The Prime Minister was certainly expounding the official Nato doctrine when she emphasised that nuclear weapons would remain an important element of western defence strategy. But when it came to the "modernisation" of the alliance's battlefield nuclear weapons, of which she is such a strong proponent, Mrs Thatcher was on much less solid ground.

Mr Gorbachev knew what he was doing when he came out categorically against any updating of Nato's tactical nuclear weapons, even though he was not entirely truthful when he denied that the Soviet Union had modernised its own arms in this category. There can be no doubt that, beyond his immediate audience in Britain, Mr Gorbachev was appealing to the Nato waverers on modernisation, particularly West Germany, which he is due to visit shortly. Mr Helmut Kohl, the West German Chancellor, licking his wounds from a series of recent election setbacks and facing a constantly growing domestic anti-nuclear movement, is forced to lend at least one ear to the siren songs from the East, to appease his discontented electorate.

Compromise

In such circumstances, Mrs Thatcher would do well to look for some form of compromise on the updating of short-range nuclear weapons which would let Chancellor Kohl off the hook at next month's Nato summit; failing this, the Alliance could find itself in damaging disarray. Of course, the basic strategy of nuclear deterrence which, as the Prime Minister has pointed out, has given the world more than 40 years of peace, must not be abandoned. But it is not as dependent on the land-based tactical missiles as Mrs Thatcher has always claimed. Some experts believe that air and sea-launched missiles of the permitted range up to 500kms could fill the gap between strategic nuclear and conventional forces almost as effectively.

That would mean that Nato could afford a reduction in land-based tactical nuclear missiles on German soil, in return for which Bonn might prove more tractable on the question of modernising the remaining weapons. The important principle to be kept in mind is that no reductions should be agreed without a quid pro quo from the Soviet Union. A Nato disadvantage could be turned into an asset if Moscow is forced to make the same kind of disproportionate cuts in short-range nuclear weapons as it did in medium-range missiles in the 1987 INF Treaty.

Lasting deal for the docks

AT A TIME when the UK Government is proposing controversial changes to the legal system and the health service, and with uncertainty over the economy's prospects, the gathering dispute over the national dock labour scheme threatens to become a glorious diversion.

The scheme has failed to ensure that employment security for dockers has been matched by sustained improvements in efficiency. Ministers and port employers are rightly determined to break away from it. But the real test of their plans is whether they have a strategy beyond abolition which will give the 40 scheme ports a successful future.

The scheme, established in 1947, ended the insecurity of casual dock work. The argument that it has provided dockers with "jobs for life" sits oddly with the dramatic decline in employment in the scheme ports – from a peak of 82,000 in 1951 to 9,400 this year. It has accommodated changes in technology and working practices, with the introduction of containerisation and roll-on roll-off ferries in the 1970s.

Yet the scheme has increasingly become a restraint on the docks. Employers are constrained by the 20 dock boards, made up of managers and union officials, which enforce the legislation. Companies are unable to make changes to working arrangements which would be commonplace in other industries. The industry abounds with anecdotes of overmanning. The system of joint regulation has not produced harmonious industrial relations.

Unlike the West German system of supervisory boards, the joint boards which run the dock labour scheme have not been underpinned by a union commitment to modernise production. The scheme is meant to provide the sort of employment security enjoyed by many workers in large Japanese companies. But – unlike Japanese unions – the Transport and General Workers Union has not promoted more flexible working practices.

Arthritic culture

Ports not covered by the scheme have increased their share of trade and employment, while the scheme ports have declined. A scheme which has promoted such an arthritic culture of work should be abolished. A Government exhilarated by seeing off opposition could have its appetite for confrontation satiated over the next few weeks as it takes on dockers at one end of the spectrum and doctors and lawyers at the other.

Lasting settlement

But seeing off the TGWU and demolishing the scheme does not mean that anything better will replace it. Five years after the 1984-85 miners' strike, the coal industry is much more efficient. Labour productivity has risen by leaps and bounds. Yet there is still no lasting settlement between the National Union of Mineworkers and British Coal, to give the industry a stable foundation.

In the education service, after two years of strikes and an expensive pay deal, the interim advisory committee on teachers' pay earlier this year reported widespread staff shortages and demoralisation.

Port employers should learn from both disputes. Winning a strike is the most pressing test of managerial authority. But the real test is whether managers have a strategy to take the workforce with them in modernising the industry. In both the coal industry and the education service new management styles are yet to emerge to fill the vacuum created by the strikes. The confrontations over the coal industry and the education service were central to the Government's agenda and trade union politics in the mid-1980s. The docks dispute should not be elevated to the same league.

For the TGWU, casual work is still a major issue – but in hotels and restaurants, shops and leisure complexes, among contract cleaners and security guards. Recruitment in the new peripheral labour market, rather than a defence of its past strength, should be the union's main task.

The scheme needs to be tackled, but the Government must ensure that it does not become a costly diversion. It should encourage a creative destruction of the scheme, by encouraging a lasting settlement between employers and the union to promote modernisation after abolition.

Peter Montagnon and William Dullforce report on last week's Gatt review

The home stretch in the trade stakes

In January, Lester Thurow, the celebrated US economist, announced that the General Agreement on Tariffs and Trade was dead. This weekend, Mr Arthur Dunkel, the Gatt's Director General, had his revenge.

The final package of agreements by Gatt's 96 member countries, reached on Saturday, restored life to the Uruguay Round of trade liberalising talks. The talks – aimed at reinforcing and *extending the ailing multilateral trading system that Gatt exists to defend* – had been blocked since December when trade ministers meeting in Montreal reached an impasse over farm reform.

The way is now set for their officials to forge ahead over the next two years on a complete agenda ranging from trade in services and intellectual property to agriculture, textiles and more traditional subjects like tariffs.

The ministers' attempt at a formal mid-term review of the Uruguay Round was seen in December as a dire failure. Completed in Geneva on Saturday, it is now being touted as an unprecedented success.

Holding such a review at all was always regarded as a gamble. It had never been done in previous rounds and the decision was taken to undertake it in an effort to keep Gatt's most ambitious negotiation yet to a strict timetable by setting a detailed work programme and forcing participants to take some binding decisions at the halfway stage.

Yet the recovery from Montreal was won only after considerable nailbiting.

A first glimpse of success came on Thursday when the three big farm trade powers, the US, the European Community and the 13-nation Cairns group of farm exporters made the crucial breakthrough on agricultural reform. By Friday the talks were thrown into new turmoil as the EC clashed with developing countries over textiles.

By telephone from Rome, Mr Renato Ruggiero, Italy's Trade Minister, drove EC negotiators to insist that any final agreement on new disciplines for trade in textiles should bear as heavily on developing country exporters as it did on industrial country producers. Backed by Portugal, he succeeded in delaying the whole proceedings for 18 hours of almost unbroken negotiation on this one point. Eventually, the problem was solved by a scarcely perceptible change in the language of the agreement.

Ultimately, its main significance was probably to underline the complexity of the negotiation and the difficulties which lie ahead as the hard bargaining over concrete detail intensifies.

The immediate consequence of Saturday's agreement is that Gatt will now implement the tighter dispute settlement procedure and the regular monitoring of individual countries' trade policies which was agreed in Montreal. Its council will meet on Wednesday to adopt these institutional changes.

Both are intended to enhance its authority as the policeman of the world's trading system. Gatt will have a unique opportunity to turn the spotlight on its members' trade policies, because its reports, the first of which will be on the US, will be made public, and discussed by its council.

For the traditionally timid bureaucrats inside Gatt's grey palazzo headquarters on the shores of Lake Geneva this poses the awkward challenge of how far they should go in exposing the shortcomings of such an important trading power. If they are lax, many council members, who feel victimised by US protectionism, will complain.

Mr Dunkel is understood to attach great importance to this process: he wants it to be rigorous.

As for the Uruguay Round itself, negotiators are now past the stage of arguing about mere concepts. Their new work programmes call for concepts to be changed into actual trade concessions.

On intellectual property the mid-term review has broken, at least temporarily, the vicious circle of wrangling between developing and industrial countries over whether the ultimate responsibility for trade-related rules should lie with the Gatt or the World Intellectual Property Organisation which the US regards as ineffectual.

Work can now begin on organising new rules for protecting intellectual property, leaving the decision over who should apply them till later.

In the area of liberalising trade in services, the mid-term review package includes an agreement on underlying principles such as equal treatment for foreign and domestic suppliers. Now the talks are scheduled to progress quickly to the difficult task of applying these principles to a wide range of specific sectors from banking and insurance to tourism, construction and transport.

Industry lobbies are likely to have a field day, much as the farm lobbies have already had in agriculture. Talks on liberalising trade in services have so far been driven by private sector promoters in the financial services sector, but most experts now assume that they will shortly run into opposition from heavily protected industries such as air transport, shipping and, in some countries, telecommunications.

Gatt's difficulties so far over agriculture are a mark of the power of such lobbies. US and European farm representatives were thick on the ground in Geneva this week. Though they failed to prevent agreement being reached on farming, they did at least succeed in preventing any deal which would have inflicted immediate pain. Asked, for example, what immediate effect the deal could have on a usually reluctant EC, Mr Guy Legras, its farm negotiator, said simply: "None".

Agriculture, an issue of great importance both to industrial and developing countries, remains the core of the Uruguay Round. The experience of Montreal shows that lack of progress in this one area is enough to make the whole process grind to a halt. For many, both inside and outside the Gatt, the success or failure of the Round thus hinges on farm trade reform.

One view of this week's farm deal, which involves a loosely worded standstill on support and a commitment to negotiate reform in the long term, is that it has simply deferred the really hard decisions till later. Another is that it was made possible by the unusually favourable backdrop of rising commodity prices and the *grain shortage caused by last year's* drought in the US, which has eased the pain of adjustment for farmers.

Officials who actually negotiated it, however, say it will have a profound effect on the course of things from here on.

They point to a number of achievements which would have been scarcely conceivable when US and EC ministers failed to make any headway on the farm issue in Montreal as little as four months ago.

The US and the EC have for the first time agreed progressively to dismantle their aid to farmers. They have put their domestic farm support regimes on the table as well as trade-related ones. In the longer term the EC's Common Agricultural Policy will be firmly in play as will the whole range of US support measures including its notorious waiver, exempting its agriculture from Gatt rules. Ultimately Japan, too, will have to accept that its jealously-guarded rice arrangements will become subject to Gatt negotiation.

The agreement sets out a precise timetable for negotiation in the next two years and then for action starting in 1991. The Cairns Group of agricultural exporting countries argues that the package represents a long-term commitment to reform which the US and EC cannot easily wriggle out of.

One widely acknowledged development of the past week is the new-found power of the Cairns Group which links such diverse countries as Australia, Canada, Argentina, Hungary and Thailand. The group played an equal role with the EC and US in striking the deal. These two farm powers can no longer impose their own bilateral agreements on Gatt.

At the very least the obligation of an immediate standstill on farm support will provide the Bush Administration and the European Commission with a weapon against their own powerful farm lobbies. As the basis for a promise of longer term reform it was welcomed by countries such as the UK which have been seeking means of chipping away at the Common Agricultural Policy from inside. It should also help President Bush restrain Congress when it comes soon to write a new Farm Bill.

Mr Germain Denis, Canada's chief negotiator here, said he expected Congress to take account of the Gatt agreement in its farm legislation. Another Cairns Group negotiator went further in private conversation. "If the Farm Bill and the Uruguay Round are not harmonised there is little hope for the Round. The Farm Bill will show whether the US is serious," he said.

Using the US's international obligations under the Gatt as a stick to beat a recalcitrant Congress is an old US Administration ploy. The Reagan Administration started the Uruguay Round in order to offset protectionist pressure at home.

The successful mid-term review has presented Mrs Carla Hills, Mr Bush's new Trade Representative, with a stronger hand to follow the same approach. She did not appear in Geneva, but her unseen presence was felt even before the talks started when she intervened personally to tell her predecessor, Mr Clayton Yeutter, now Agriculture Secretary, to stay away.

Gatt negotiations have always been the prerogative of the US Trade Representative. Some trade experts claimed that success in getting this Round back on the rails would enhance Mrs Hills' authority within the US Administration. It will be much harder now for her to be upstaged by Mr Robert Mosbacher, the Commerce Secretary, who has been making a bid for influence over trade policy. He is thought to veer more towards bilateral deals and managed trade.

Similarly, clear evidence that the Uruguay Round is well on its way should help those in the European Commission – such as Mr Frans Andriessen, the External Affairs Commissioner – who profess a strong belief in multilateralism.

Many European businessmen – shoe and car manufacturers as well as those of consumer electronics – are constantly pleading for protection against cheap Asian imports. Such pressures are bound to increase in the run-up to the launch of the single market in 1992.

Delegates made clear as the meeting closed that the success of the mid-term review alone would not stop bilateral trade disputes, which have proliferated since the Uruguay Round began.

Mr Warren Lavorel, head of the US delegation, said the result would have no bearing on his country's quarrels with Brazil over patents and with the EC over oilseeds and hormones in meat.

Nor will progress in the Uruguay Round stop the US implementing its new Trade Act. Under this legislation, Mrs Hills must next month list for potential retaliatory action countries which are deemed to practice unfair trade. The list is likely to be inflammatory. It is almost certain to include several Asian countries, including Japan, as well as the European Community because of its subsidies to Airbus.

The overwhelming feeling, as weary delegates left Geneva yesterday after more than a week of driving hard bargains in the cloistered confines of the Gatt, was that they had succeeded in reaffirming a universal commitment to the Uruguay Round and the multilateral trading system.

Now they have to return to the real world and make that commitment work.

URUGUAY ROUND: Mid-term agreements

1. **Tariffs.** Negotiations start July to reduce overall by same as Tokyo Round, or average of 30%.
2. **Non-tariff barriers.** Specific guidelines set for negotiating them away.
3. **Natural resources.** Trade liberalisation work in fisheries, forestry non-ferrous metals and minerals well advanced.
4. **Textiles trade.** Detailed negotiations scheduled to integrate into normal Gatt disciplines.
5. **Agriculture.** Gatt to plan for long-term reform. Immediate support standstill.
6. **Tropical products.** Industrial countries already agreed concessions to developing world producers. More to come.
7. **Gatt articles.** Negotiators to recommend changes.
8. **Multinational Trade Negotiation Agreements.** Vigorous review mandated of Tokyo Round codes, eg on subsidies, government procurement.
9. **Safeguards.** Search on for agreement governing protective measures against disruptive import surges. Aim: eliminate "grey area" measures, eg voluntary restraint agreements.
10. **Subsidies and Countervailing Measures.** Framework for identifying illegal subsidies. Work continues on details.
11. **Intellectual Property.** Rules to be established without prejudice as to who should apply them.
12. **Investment.** Little progress yet. Japan wants more effort.
13. **Dispute settlement.** New rules to speed up process, promote compliance.
14. **Functioning of Gatt.** Gatt to start regularly monitoring members' trade policies.
15. **Services.** Underlying principles of liberalisation agreed. Work to start on applying them to individual sectors.

OBSERVER

War paint and honour

■ If you were thinking of investing your Grand National winnings in a Utrillo, hold your horses. The Utrillo war is hotting up and you could get caught in crossfire. The latest skirmish took place over the weekend in Paris where Jean Fabris, self-appointed defender of the works of the French Impressionist, persuaded a judge to block the sale of seven of his works at Drouot, the auctioneers.

This followed Fabris's partly successful attempt to " make a scandal" at Christies in London last week where he seen off the premises after shouting " Fake! Fake!" when a snow scene attributed to Utrillo came up for sale. The canvas fetched £104,500 but four of the six Utrillos on sale were unsold.

After yesterday's Paris auction, minus Utrillos, auctioneer Guy Loudmer issued what amounted a declaration of war on Fabris. Loudmer not only intends to have the ban lifted but also plans a grand alliance with Christies and Sotheby's to stop Fabris whose hit and run tactics have clearly shaken the smooth refinement of the art world.

" I will stake my 30 years of experience, my personal fortune and my honour on the fact that these seven paintings are *genuine Utrillos* "an agitated Loudmer told me. "We shall be going back to the courts on behalf of all auction houses in Paris and we intend to get in touch with Sotheby's and Christies to see what we can do together."

James Roundell, Christies' expert in the field and the auctioneer at last week's sale, spoke in more muted tones but his message was equally clear. He conceded that the authenticity of a painting, especially where the artist was dead, was largely a matter of opinion.

" There will be copies of Utrillos." he said " There are Utrillos that we turn down on a fairly regular basis. But we're confident that our Utrillos are genuine."

As for Fabris, Roundell said " Anyone can stand up and cry ' Fake'. What you have to weigh up is what he's saying against what evidence he has to back it up. As far as we can see he has very little of that".

Utrillo is very popular among Japanese collectors and the auction houses concede that the latest kerfuffle, will not be good for business. *Fabris, who is joint heir to the* Utrillo estate, estimates that there are between 7,000 and 10,000 paintings in the world which are claimed by their owners to be by Utrillo who spent much of his time drinking, which may explain why he painted the same view of Montmarte for 40 years.

Their sin was to allow her to tell Mr Gorbachev, before the assembled Great and Good in Guildhall on Friday, that the Muscovy Company was founded in 1555 "in the reign of the first Queen Elizabeth". Poor Queen Mary. She may have lost Calais but she might be allowed the credit for presiding over the beginnings of Anglo-Russian trade.

What was worse was that none of the Great and the Good there seemed even to be aware of the mistake. Even the Secretary of State for Education did not visibly flinch. Roll on a national core curriculum with bags of British history.

Bad boys

■ Mrs Thatcher's speechwriters should be stood in the corner until they can recite the dates of the Kings and Queens of England.

African bear

■ Moscow's man in Africa, Deputy Foreign Minister Anatoli Adamishin, spent the weekend deep in discussion over the Namibia crisis at an isolated game lodge far from the fighting in the north. Last week he was in Luanda helping the UN's chief trouble shooter Marrack Goulding find a way to end the slaughter of Swapo guerrillas sent across the border to establish bases prior to the run up to independence elections later this year.

Judging by Swapo's decision to pull back its forces into Angola, Adamishin must have left little doubt that Moscow was not amused at Swapo's defiance of carefully negotiated agreements.

It is all part of the new realism with which Moscow views its interests in a region which has absorbed billions of roubles but provided little in return. The key to this new realism is willingness to take a fresh look at the reality of South Africa. Up until now, no Soviet official has visited South Africa to gain first hand impressions since diplomatic relations were broken off in the 1950's.

This will change at the end of this month when Adamishin is expected in Cape Town for the fourth meeting of the Angolan, Cuban, South African Joint Commission on which the Super Powers sit as observers.

Although it will be the first time that Adamishin's feet have touched South African soil he knows more about the place than many would suspect. A few months ago he *asked permission to fly over* the country's industrial heartland-the Pretoria-Witwatersrand-Vereeniging (PWV) area with its big cities, teeming black townships, factories and power stations. The flight was top-secret. But at the end he thanked Pretoria for 90 minutes in which,he said,he had learnt more about the realities of South Africa than any amount of poring over position papers and reports.

Last word

■ The final edition of the last newspaper to print in Fleet Street, home of British journalism for 500 years, came off the presses early yesterday morning.

Journalists at the Black Lubyanka, the glass Art Deco building from where Lord Beaverbrook wielded his enormous and often terrifying influence, put the finishing touches to the Sunday Express before moving, along with the rest of us, to a high-tech home south of the river Thames.

This gives me a totally spurious opportunity to recount the story of a famous Express foreign correspondent, his name escapes me for the moment, whose lavish expenses were beginning to raise even the Beaver's weighty eyebrows.

The then Foreign Editor of the paper was instructed to send a stiff telegram. " Why" he thundered" your expenses so outrageously high?"

The aforementioned correspondent, replied after a suitable delay:" I give up. Why?."

Alain Cass

Lionel Barber and Steven Butler assess the impact of the Alaskan oil spill on US environmental policy

Mr Bush struggles to escape the slick

The struggle of helpless otters and birds to survive in a muck of black oil, seen on the television screens daily in millions of American homes over the past two weeks, could have a political impact that is even more persistent than the environmental damage to Prince William Sound.

This latest environmental disaster comes after the dry, hot summer of 1988 (which helped encourage popular acceptance of "greenhouse effect" theories, that the earth is warming because of man's activities) and after rising concern about depletion of the earth's protective layer of ozone. It could easily prove a catalyst for a new and aggressive phase in US environmental politics.

Many of the ingredients for such a change were present well before the Exxon Valdez dumped 10m gallons of oil into waters rich with marine life and created an oil slick spreading over 2,600 square miles.

President George Bush himself made the environment an issue during his 1988 election campaign. He was responding to a shift in public opinion: whereas in 1981, a poll showed the American public split over the value of costly environmental protection measures, the same polls last year revealed that Americans favoured strong action by a margin of almost three to one.

The reasons lie partly in that hot summer last year. It created the worst drought since the 1930s; led to uncontrolled forest fires in Yellowstone Park; helped renew concern about ground-level ozone pollution and the "global warming effect"; and was accompanied by graphic television pictures of beaches littered with dead fish, raw sewage and medical debris (including contaminated blood).

But the shift in public mood was also in part a reaction to the Reagan years, when the environment was treated as a peripheral issue and the administration was populated by figures such as Mr James Watt, Mr Reagan's first Interior Secretary, who was regularly accused of paving rather than preserving open fields.

Mr Bush's own position appears ambivalent. He has declared that he wants to be known as the "Environment President" but spent his post-Second World War years in Texas making his fortune as an oilman. "George Bush is a gentrified environmentalist," says Mr Kevin Phillips, a Republican political analyst, who believes the Alaska oil spill will test whether the new President's sympathies translate into practical policy.

Mr Bush gave an early signal that he would be more accommodating to environmental pressures than his predecessor by appointing Mr William Reilly, a renowned conservationist and former head of the World Wildlife Fund, as head of the Environmental Protection Agency (EPA), the Federal body charged with reviewing and enforcing anti-pollution laws.

Under President Reagan, the EPA was denounced as ineffective by Congressional critics. Mr Reilly, a dashing 49-year-old Yale and Harvard graduate who boasts of regular access to Mr Bush – a fellow Yale alumnus – now finds himself in the front line.

The question is whether the rhetoric of the Bush administration matches the reality. The reaction to the Alaska oil spill is instructive.

It took Mr Bush until last Friday, 14 days after the tanker ran aground, to order federal intervention in the clean-up – despite a widespread view that Exxon's initial efforts have proved inadequate. When he did so, he put the Transportation Secretary, Samuel Skinner, in charge of the task, and ordered military personnel to help. He added: "This should not relieve Exxon from any of its responsibilities or liabilities," and "we are not federalising this operation."

This action may be enough to protect the President against allegations of procrastination. Alaska will pose more tests in the weeks ahead, however. Mr Bush acknowledges that the effort of cleaning the despoiled coastline "will be massive, prolonged and frustrating. Nothing we can do will resolve this problem in the short-term." And in the longer term, Mr Bush faces potential difficulties over his view – shared by Mr Reilly – that the oil industry should be allowed to drill in the unspoiled Arctic National Wildlife Refuge.

Sensing an opportunity, the Democratic majority in Congress has seized the environmental initiative. It is led by Senator George Mitchell of Maine, the new Senate Majority leader. His pro-environmental views contrast with those of his predecessor Senator Robert Byrd of West Virginia, a poor state where coal mining interests have long dominated.

Senator Mitchell – whose post confers great power to influence the legislative agenda – has already introduced an amendment requiring the President to initiate the clean-up of oil spills unless he specifically determines that the vessel's owners can handle the task. He is also the driving force behind a new Senate Democratic party policy document which pledges action on toxic waste, tropical deforestation, ozone layer depletion, and clean air (this last is expected to be passed into law, along with tougher provisions against acid rain, by the end of the current session).

Mr Bush faces a second difficult choice this month when he is expected to announce whether he will support Mr Skinner's proposal to raise the Corporate Average Fuel Economy standards for US car makers from 26.5 to 27.5 miles per gallon. That would put back on track a programme that had been allowed to drift under the Reagan administration.

The Detroit car makers object to stiffer fuel economy standards because, while fuel efficiency for all models has risen, Americans have been encouraged by cheap fuel prices to buy bigger cars, causing the average fuel economy for all the car manufacturers to slip. Small cars have to be sold by periodic promotional campaigns that hurt profits.

If Mr Bush fails to take the lead, the Democrats will be ready with measures that are far more severe. But Senator Mitchell – an articulate telegenic former Federal Judge – is no wild-eyed Green politician. Indeed, as Mr Phillips notes, there is no widespread active and populist Green movement as there is in Europe. The American environmental lobby is more fragmented than elsewhere, and its influence depends as much on geography as money and organisation.

In some regions, environmental considerations are already starting to have a dramatic impact on business. In Southern California, for example, regional officials voted recently to impose drastic restrictions aimed to reduce smog in the Los Angeles area. In three phases, the measures would require that all cars be converted to electric power or other "clean fuels" (such as methanol or propane) by the year 2007. The rules have the oil companies as concerned as the car manufacturers, because they could easily undercut one of the most profitable local markets for oil refining and marketing in the US.

The Los Angeles plan provides that, between 1994 and the year 2000, 40 per cent of passenger vehicles and 70 per cent of freight vehicles would have to use clean fuels or electricity. Utilities would have to phase out fuel oil by 1995, and burn more natural gas.

Others provisions, intended to take effect as early as this year, include a ban on lighter fluid for barbecues, the outlawing of gasoline-powered lawnmowers, and the virtual elimination of free parking.

The measures – including 123 specific steps to be taken over the next five years – have still to be approved by the state Air Resources Board and the EPA. Critics say they are not technically feasible, and likely to prove far too costly. But they are indicative of a more aggressive attitude to pollution, an issue on which California has historically been a trend-setter for the rest of the US.

Across the country, says Ms Carole Donaghue – editor of Oil Express, an industry newsletter – oil companies and petrol station operators face a flood of law suits from environmental groups seeking compliance with clean air legislation and limits on the amount of vapour that gasoline releases into the atmosphere.

The hasty fixing of lower gasoline vapour pressure standards in the north-east states of the US has already produced confusion. The states took unilateral action when they found themselves in violation of EPA ozone pollution standards, but discovered that the EPA would not move to enforce stricter standards itself.

The American Petroleum Institute, which represents the oil companies, is now suing New York State to have the measures rolled back. The oil companies object less to tightening of vapour standards, which can actually help profitability for many refiners, than to the helter-skelter way the regulations have been introduced, creating possible supply problems that will at least push up prices this summer.

Mr Geoff Leiter, an experienced industry adviser who works for a Washington law firm, says the oil companies cannot wage a public and aggressive campaign against tougher environmental legislation, for fear of provoking a reaction in Congress.

Mr Phillips, however, cautions against predictions of too violent a reaction. He says the argument that oil is part of the country's national security is still a powerful one – particularly for those who remember the dependence on Arab oil in the 1970s. And, he says, the oil and car industries make powerful allies.

Whatever the eventual outcome, Mr Bush's political opponents will be able to make political capital out of one of his impromptu remarks during the presidential campaign last year. In answer to complaints about the Alaska oil pipeline, he said: "The caribou love it. They rub against it, and they have babies. There are more caribou in Alaska than you can shake a stick at." The caribou may be fine, as the television audience now knows; however, Alaska's otters and sea-birds are not. Mr Bush's environmental critics are unlikely to let him forget that the oil that did the damage came from the pipeline he described so playfully.

LOMBARD

The sociology of lager louts

By Michael Prowse

SOCIOLOGY – the disciplined study of the nature and development of society – has been starved of finance and denigrated throughout the 1980s. Lord Joseph (Mrs Thatcher's former mentor) was so hostile to it, as Education Secretary, that he even insisted on changing the name of the old Social Science Research Council.

If anything, the Prime Minister's disdain runs deeper still. In her book there is no such thing as society; its scientific study, *a fortiori*, must be a waste of time.

Yet a society which cannot spare the time or resources to study itself is surely in danger. This point is well (if unintentionally) illustrated by last week's Home Office report* on non-metropolitan violence.

The study was hastily put together in response to the public anxiety which surfaced last summer about riots and disorder in rural Britain. Although a shoe-string effort (six researchers did fieldwork in just three sets of paired towns), the report demolishes much conventional wisdom about so-called rural violence.

The impression created by the media that Golf GTi-driving yuppies were creating mayhem in England's green and peaceful countryside has always stretched credulity. It turns out to have been pure invention.

The Home Office's research reveals that only about a fifth of the incidents occurred in genuinely rural areas. Most were in densely populated areas or towns. (The clustering of incidents in the prosperous south east is merely a reflection of relative population density). The perpetrators of violence, moreover, tended to be inarticulate youths who could not talk without swearing. They were typically either on the dole or languishing in dead-end jobs, having left school at 16. They were adorned with macho symbols of male toughness such as tattoos and big boots. They were, in other words, another species of football hooligan.

The fieldworkers witnessed some disturbing scenes. In Haverhill, East Anglia, they were forced to flee in the face of a mob of 200 youths. In Gravesend, Kent, they were surprised to discover that on Friday and Saturday nights the town centre degenerates into "one huge disorderly open air pub." In Woking and Guildford they found that a third of 16 and 17 year olds illegally drink in pubs at the weekend. The baiting and goading of police by youths was commonplace.

By noting how, when and where violence tends to erupt, the researchers were able to make some useful policy suggestions. A rigid pub closing time of 11pm, for example, seems almost calculated to maximise disorder. In continental Europe, young people trickle out of bars during the late evening and early morning: in Britain, hundreds of excited and drunk youngsters are ejected simultaneously. In continental Europe, town planners leave space for people to walk, linger and enjoy themselves: in Britain, city centres are increasingly built around daytime rather than evening or entertainment use. Congestion coupled with the poor planning of transport and restaurant facilities only increases the risk of public disorder.

Police handling of weekend violence is not helped by the shift change which occurs at 10pm, shortly before the disturbances begin. The routine changing of the entire personnel of police stations during the build up of evening violence, say the researchers, is a bit like switching air traffic controllers in the busiest hour at Heathrow.

The Home Office has added considerably to the understanding of semi-urban violence simply by sending a few researchers around a few towns for a few weekends. But its study leaves me hungry for more information: this is merely the tip of an iceberg of submerged sociological data.

Effective social policies will be possible only when much more is known about the causes of social problems. The nature of society is surely a subject at least as worthy of study as nuclear physics or monetary economics. The need to fund the rigorous analysis of social problems has never been greater.

Drinking and disorder: A study of non-metropolitan violence. *(HMSO, £7.20)*

LETTERS

UK penal policy

From Mr Jack Tulloch.

Sir, The need for non-custodial rehabilitation measures for criminal offenders in the future (FT leader, April 6) seems logical and sensible, provided, of course, that the treatment is mentally rigorous and physically spartan, and not seen as pampering hardened criminals.

On the other hand, it will seem unfair to many citizens that serious offenders would be spared the punitive aspect of a prison sentence.

In such cases, why not combine both measures? Let the serious cases serve a proportion of their sentence in prison, and the remainder in a rehabilitation centre in preparation for their new reformed life.

Jack Tulloch,
Hollies,
Plantation Road,
Hillbrow,
Liss, Hampshire

Adequate air services

From Mr W.H. Davies.

Sir, Mr Richard Botwood (Letters, April 3) raises an important point.

Those responsible for infrastructure encompassing airspace, airport, runway and terminal capacity requirements must be fully aware of its importance, and make efforts to ensure it meets both current and future demands.

Such provision is not just dictated by airline or airport profit motives or indeed passenger convenience. This significant factor in UK economic welfare will become increasingly more so in the context of a unified Europe. Unless its importance is recognised and the problems addressed, businesses will locate elsewhere in Europe where adequate airline services are provided – as happened in the US.

W.H. Davies,
Secretary General, British Air Transport Association,
5-6 Pall Mall East, SW1

Motivated by 'values'

From Mr Andrew Campbell.

Sir, In Christopher Lorenz's article on "The pros and cons of mission statements" (3 April), he recommends that a statement of values should be kept separate from a mission statement. The latter, he argues, should "be a clear succinct statement of direction which motivates employees."

His recommendation exposes a common misunderstanding of the role of mission in motivation.

Research I have carried out into how organisations create a sense of mission suggests that employees are more motivated by values than by direction or vision. Employees become emotionally attached to their companies because they share the same values. Vision is a distant motivator. For most companies it is complex, financially oriented and set far in the future. Employees more easily attach themselves to values that are lived every day.

Mission statements can be powerful when they communicate the organisation's real values: when employees read the statement and recognise their company. Motherhood is not useful. But a candid exposure of corporate philosophy can help to enhance pride and commitment.

Andrew Campbell,
Ashridge Strategic Management Centre,
1 Kingsway, WC2

PEP shares in principle

From Mr Stephen Wynn.

Sir, Mr C.T. Ross ("There is no philosopher's stone of successful investment," Letters, April 1) complains about the proliferation of unit trusts, insurance and pension funds in comparison to the direct ownership of shares.

This proliferation is largely because of the tax advantages these funds enjoy. However, it is possible – at least in principle – for such tax advantages to be associated with ordinary shares.

Companies should start personal equity plans (PEPs) in their own shares. The shares in such plans could be called "PEP shares." Dividends can be foregone in favour of further shares by the increasingly popular "scrip dividend mandates."

In the case of PEP shares this investment would be made before income tax.

With a change in regulations this idea could be extended to personal pensions, which could thus be provided by collections of shares, free from the management charges of financial institutions.

Such saving would promote wider share ownership and also more stable long-term investment in industry.

Stephen Wynn,
8 Clarence Gardens,
Brighton,
Sussex

Write-offs for the world

From Mr James Skinner.

Sir, Now that Mr Nicholas Brady, the US Treasury Secretary, has made debt reduction respectable – and nobody doubts that huge sums are to be written off – would it not be sensible to look at ways in which debt reduction can produce bonuses for everyone?

Debt write-offs could be linked to the achievement of environmental goals which are in everyone's interest. Debt/conservation swaps are a step in the right direction, but they have been left to non-governmental organisations whose resources are tiny in comparison with the size of international debt and the extent of environmental problems.

Other opportunities abound, if governments and banks would only get in on the act. Why not buy back polychlorinated biphenyls (PCBs) and other toxic waste from Third World countries before these are dumped and cause irreversible damage to the oceans and to marine mammals in particular? A generous price in debt cancellation would make it well worthwhile for Third World governments to organise their own national buy-back schemes, using local currency.

Debt cancellation could generously endow national forest reserves and parks – and provide the short-term economic justification needed to strengthen and enhance the long-term reasons for resisting political pressure to destroy natural resources.

The principle should be that where environmental measures are needed for the long-term benefit of the human race, then the rich nations should pay because they can afford it.

By the time we have worked through the international debt on this basis, we should have made the world a better place for all of us. It is hard to think of a better investment.

James Skinner,
Heron House,
Chiswick Mall, W4

'Recovery will be a long job'

From Mr Douglas Dale.

Sir, Some of us have long been aware of the "disturbing facts" contained in your leader (March 30). The Chancellor's efforts to gloss over the UK balance of payments position – the major problem of the economy – are a disgrace.

Why do we have to learn our lessons not twice, but three times over – under Chancellors of the Exchequer Cripps, Callaghan, and now Lawson? All three tried too long to sustain an unsustainable value for the pound – and when the 1960s, asking for an upward revaluation of the mark (just as we and the Americans have done recently about both the mark and the yen). The present Chancellor is the most culpable, because he should have learnt from the other two.

There is only one way out. That is to encourage British industry, and this involves reducing the value of the pound and reducing interest rates. This latter is a principal factor (both as a direct cost and level-setter for return on capital) in discouraging industrial investment.

Some other way of keeping down consumption must be used, but the exodus of hot money caused by lower interest rates would be a help. The only thing to suffer would be the Government's false pride.

Recovery will be a long job; the sooner we start, the sooner we shall win through. The British people will accept belt-tightening provided it is fairly shared.

The danger now is that the necessary pain will outlast the present Parliament, and we are likely to be shown a false dawn before the next election. That will make real recovery more difficult and more distant.

Douglas Dale,
Birch Crest,
97 Hilderstone Road,
Meir Heath,
Stoke-on-Trent, Staffordshire

FINANCIAL TIMES
Monday April 10 1989

Janet Bush in New York

Legal mines litter bank battlefield

AS IT struggles for survival MCorp, once one of the largest commercial banking groups in Texas, could be forgiven for finding the jockeying for position by creditors, regulators and competitors almost obscene.

Days after the Federal Deposit Insurance Corp seized 20 of its banks and MCorp filed a suit charging the Comptroller and the FDIC with unlawfully taking 12 banks which it believes were solvent, potential buyers circle around like vultures waiting for a stricken animal to take its last breath.

Some of the usual suspects are rumoured to be interested – the Pritzker family and even Kohlberg Kravis Roberts – and on Friday Mr Robert Abboud's First City Bancorp made a public filing announcing interest in the Deposit Insurance Bridge Bank formed by the FDIC after the seizure.

Meanwhile, MCorp's creditors are trying to maintain the value of their investment in the bank and Shearson Lehman Hutton, a major creditor, has filed a plan with the FDIC to recapitalise MCorp.

The future of MCorp and holders of its debt and equity depends on legal manoeuvring, some of which will take place in the bankruptcy court now the bank has filed for protection under Chapter 11.

This is believed to be the first time a bank has filed for bankruptcy while operating some solvent banks – MCorp had no choice because it had three involuntary bankruptcy petitions filed against it under Chapter 7 of the law.

The suit against the Comptroller and the FDIC which seeks not to get the 20 seized banks back but to be paid compensation for their seizure, is also believed to be a legal first.

At stake in this maze of litigation are some fundamentally important banking and regulatory principles, notably the current status of the bank *holding structure*.

What will be determined are the extent of the regulators' powers, rights of creditors and the management of the troubled bank. Given the vulnerability in some sections of the financial industry, crucial precedents could be set.

Proposed legislation in Congress includes cross-guarantees, meaning that any losses to the federal insurance fund caused by one bank subsidiary in a multi-bank holding company would be underwritten by all subsidiaries.

One of the most crucial issues in the battle between MCorp's management and the regulators is the "source of strength doctrine" which requires a bank holding company to move assets downstream to failing bank subsidiaries. The doctrine is backed up neither by statute nor by legal precedent.

According to R.D. Smith & Co, a brokerage firm specialising *in distressed securities, the* Federal Reserve had been looking for a ground-breaking case which would establish the legal authority of the doctrine.

MCorp declined to fall in with the doctrine and is believed to have retained perhaps more than $500m in assets in the holding company.

Mr William Seidman, FDIC chairman, made the regulators' view clear: "In blunt terms, cross-guarantees would mean stronger banks would no longer be free to walk away from their failing affiliates, leaving the clean-up costs to the FDIC as just happened with MCorp."

One attorney describes what the regulators wanted as the horizontal and vertical grab. A successful horizontal grab would have been the seizure of all MCorp banks to get the benefit of the solvent subsidiares in order to lessen the cost of bailing out the insolvent ones. As it was, the FDIC failed to get five banks.

A vertical grab would involve access to the bank holding company: this is where much of the legal doubt lies. The FDIC has signalled its intention to pursue "substantial and material" claims against the holding company but many believe it has no sound legal basis.

If Congress passes its proposed legislation, the vertical grab would become the norm. The banks believe there are serious risks.

"If a bank is raising funds and regulators are to say that it was required that those funds would have to be invested in troubled banks by the healthy bank despite the interests of stock and bond holders, people are going to be much more cautious in investing in bank holding companies," said one attorney familiar with the MCorp case.

"As sure as night follows day, that means that the price of capital goes up."

EC's long drive for the cleaner car

William Dawkins looks at plans for even tougher pollution controls

THE first round in what will be a long battle over the European Commission's recent conversion to tougher car pollution standards takes place in the European Parliament tomorrow.

That is when MEPs will give their second and last reading to a long-standing Commission proposal to halve exhaust emissions from small cars with cylinder capacities below 1.4 litres, which includes 60 per cent of the cars on Europe's roads.

The directive will soon be out of date thanks to the Commission's plans, unveiled last week, to bring in a whole new set of tougher car pollution controls by 1993, an announcement which has thrown the European car industry into confusion. Yet the upshot of tomorrow's debate will have a significant bearing on the success of new strategy, including the much harder struggle to come with European Governments.

If the evidence of the debate over small cars is any clue, the Commission's plan to move to even stricter standards will split the EC between the environmentally sensitive north, *including West Germany*, Denmark the Netherlands and Belgium and the volume-car-producing states of the south, Italy, France and Spain.

It has already drawn an attack from Mr Roger Fauroux, French Industry Minister. He warned meeting with his 12 EC counterparts on Friday that *the car industry's ability to* plan its development will be damaged by changes in European exhaust pollution standards – a taste of the coming political battles on this and environment policy generally.

By contrast, most Euro-MPs want tougher US-style standards more or less in line with what the Commission would now like. Yet if they demand such standards for small cars on Tuesday, the directive would collapse completely and so complicate the Commission's chances of getting its brave new anti-pollution plans under way. Accordingly, Brussels hopes MEPs will accept half a green loaf tomorrow with a promise that they get the rest later.

This means a profound change in the approach as well as the figures in the Commission's three previous car exhaust directives, as embodied in the hard-won 1985 Luxembourg compromise. This outlines voluntary exhaust emission standards for large, medium and small cars – the last and most important to await adoption – so that new vehicles conforming to these norms are guaranteed free market access through the EC. However, governments are free to permit lower controls in their own countries.

The new plan would make such rules obligatory in 1991 – two years before the scheduled implementation of the small cars plan – and replace them with tougher standards by 1993. That contrasts with the timetable for the existing rules, to take effect in stages, by October 1988 for new models of over 2 litres and October 1989 for all new cars from existing lines of that size. The equivalent deadlines for medium-sized cars, between 1.4 and 2 litres, are 1991 and 1993, rising to 1992 and 1993 for small vehicles.

Brussels plans to define in the next few weeks exactly what the new norms would be. Officials expected them to be near or just short of those in the US and Sweden, although it would be left open whether they *should* be reached with the use of costly US-type three-way catalytic converters or other solutions such as cheaper lean-burn engines. A direct move to US norms would bring the just over 50 per cent cut in exhaust emissions under current EC standards to 73 per cent, according to industry estimates.

All this should be music to the ears of the environmentally eager European Parliament. And that makes it all the *harder for Euro-MPs to vote for* the small car plan, with its relatively low norms. If the Parliament throws out the plan at this stage, the Council of Ministers – member states' decision-making body – would be forced to adopt the scheme by unanimity. Yet member states could never do this, given the extreme difficulty with which they summoned a qualified majority for an initial common position on the scheme last November. And the Commission cannot easily revise the exhaust pollution plan without first completing the missing piece in it.

The Commission risked this tangle because it was rushed into last week's decision, almost against its better judgment. Officials had always spoken of revising Brussels' clean car rules some time in the next decade. They were pushed into making up their minds earlier partly through the general "greening" of European opinion, symbolised by the recent new fondness for environmental policies voiced by Mrs Margaret Thatcher, the UK Prime Minister. This exposed the Commission uncomfortably to the real danger of being left behind in the environmental game.

But what really dumped the issue on Brussels' doorstep was the Dutch Government's introduction in February of tax breaks for motorists who buy cars with three-way *catalytic converters, expected to be fol*lowed soon in West Germany and Denmark. This forced the Commission to choose between challenging the Dutch move as a potentially illicit state aid or supporting it as an example of green enlightenment.

The case inspired Mr Carlo Ripa di Meana, the Environment Commissioner, to push for the wholesale adoption of US-type norms, but it was not until last week that he won the crucial support of Mr Karel Van Miert, the Transport Commissioner, and even Mr Jacques Delors, the President of the Brussels executive. This week will see the battle lines start to take shape.

Bush may visit Poland to show support for political reforms

By Peter Riddell, US Editor in Washington

PRESIDENT George Bush may visit Poland later this summer to underline US support for moves there towards free elections and political pluralism.

A visit to Hungary is also being considered by the White House. This might be linked to any trip to Poland, and would probably be in mid-July when the President goes to Paris for the annual seven-nation economic summit.

These possibilities have emerged as Mr James Baker, the US Secretary of State, and Mr Brent Scowcroft, the President's national security adviser, yesterday sought to answer recent Soviet criticism that the slow pace of the Bush Administration's foreign policy reviews was holding up progress in East/West relations.

Mr Baker said yesterday that the reviews would be completed by the end of this month so that he could discuss the conclusions with Mr Eduard Shevardnadze, the Soviet Foreign Minister, when he visits Moscow in a month's time.

Both Mr Baker and Mr Scowcroft took a distinctly cautious view of recent Soviet statements. Press reports in the US at the weekend on the the initial recommendations of the inter-agency review groups foreshadowed this caution.

The reviews welcomed internal Soviet changes but were wary about its international stance, challenging Mr Mikhail Gorbachev, the Soviet leader, to back up his conciliatory words by actions.

In relation to Eastern Europe, the reviews apparently propose differentiating between Poland and Hungary – with their moves towards political pluralism and free market economies – and the rest of Eastern Europe.

It suggests the US should respond positively to moves in Poland and Hungary.

A direct initiative in response to the Polish Government's agreement with Solidarity, involving the restoration of trade credits and a sympathetic view of debt rescheduling, is likely in the short term.

Mr Scowcroft said the president had not reached decisions on the reviews, described by one official as "status quo plus." He said in relation to the Eastern bloc there was evidence that the West had won, though the battle was not over.

On Central America, Mr Scowcroft underlined the president's annoyance that on his visit to Cuba last week Mr Gorbachev had not responded to the latest US initiative by announcing a cut in Soviet military aid to Nicaragua. Mr Scowcroft said there was "clear evidence of old not new thinking" by the Soviets in the region.

Bush struggles to escape the Alaskan slick, Page 17

UK 'faces large trade deficit, high inflation'

By Ralph Atkins, Economics Staff, in London

THE UK economy will be characterised by high interest rates, high inflation and a large trade deficit throughout this year with little improvement in 1990, according to a survey by the Financial Times.

Inflation will only have fallen to slightly below 6 per cent by the end of the year, while the 1989 current account deficit will be larger than in last year, the survey shows.

It comes at a time when some leading economic analysts have altered their view of Britain's economic prospects.

Last week two leading UK securities houses said they thought interest rates would soon have to rise from their current level of 13 per cent to at least 14 per cent in response to a deteriorating outlook for inflation.

Mr Robin Leigh-Pemberton, Governor of the Bank of England, told the House of Commons Treasury committee last week that it was too soon to say whether the Government's policy of higher interest rates was working. Mr Nigel Lawson, Chancellor of the Exchequer, appears before the same committee today and can expect to be grilled by MPs on the likely success of his policies.

The FT survey shows that growth is expected slow gradually, roughly in line with Treasury predictions, but the breakdown between sectors of the economy is shown as being significantly different.

The survey covers forecasts by 23 groups including the Treasury, City economists, the Confederation of British Industry and other independent forecasting groups. Most of the forecasts were compiled in April.

Interest rates are expected to remain high. The average forecast suggests base rates will be only 1 percentage point lower at the end of this year than the current 13 per cent.

The current account deficit is expected to reach £15.4bn ($27bn) in 1989, compared with £14.7bn in 1988.

The annual inflation rate is expected to fall to 5.7 per cent in the last three months of this year and to 4.7 per cent a year later.

Withdrawal of Swapo troops agreed at talks

Continued from Page 1

itored by UN forces. The guerrillas entered Namibia from bases in Angola last week in defiance of peace agreements for the territory.

In a letter to the Secretary General, Mr Botha said: "The effect of your proposal, and more so of the front line states to which you refer, would be that Swapo had completely succeeded in its objective of projecting itself as an intimidatory force."

As such it would be tantamount to a "unilateral amendment of the international *agreements" designed to bring* peace to Angola and independence to Namibia, he said.

The diplomatic efforts to save the UN-monitored independence process and keep the target date of November 1 for elections to a Namibian constituent assembly took place during a lull in the fighting.

Police sources said that the reduced scale of fighting partly reflected the fact that the insurgents had split up into small groups and were running low on food and ammunition.

Unilever reorganises top level management team

By Christopher Parkes in London

UNILEVER, the Anglo-Dutch consumer products multinational, is establishing a top-level management task force to expand its global food business.

It will consist of three members of the main board, including Irishman Mr Niall FitzGerald, who is giving up his present job as finance director to take charge of the group's interests in edible fats and dairy products.

The organisation changes have been prompted partly by the growing internationalisation of the food industry. Nestlé, which occupies the top spot in world markets for instant coffee, frozen food, confectionery, infant foods, condensed milk and pet food, is a particular rival. BSN of France is also emerging as a competitor.

Unilever is the world's leading producer of margarine and tea and the biggest ice cream manufacturer in Europe. Last year food accounted for 50 per cent of its £17bn ($29bn) turnover.

Other members of the task force, known as the food executive, are Mr Hans Eggerstedt, the West German director in charge of frozen foods, and Mr Lex Kemner, a Dutchman. Mr Kemner is due to be elected to the main board early next month, taking control of the company's other food and drink operations.

The new finance director will be Mr Charles Miller Smith, at present chairman of Quest International, Unilever's fast-growing manufacturer of flavours and fragrances. Mr Fitzgerald's change of role follows the recent death of Mr Joop Houtzager.

The executive's main aims will be to develop markets in the industrialised world for high-margin foods, *especially* convenience products, and introduce new processed foods to developing markets in Asia and Africa.

Details of the group's strategy are secret, but it aims to build its presence in cheese, pasta, frozen foods, prepared meals and the supply of food ingredients to other manufacturers.

In the past few months it has bought several ingredients businesses in Europe and the US, plus two small continental convenience food specialists.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	[illegible]	[illegible]	[illegible]	Dubrovnik	[illegible]	[illegible]	[illegible]	Malta	[illegible]	[illegible]	[illegible]	Rhodes	[illegible]	[illegible]	[illegible]
Algiers	[illegible]	[illegible]	[illegible]	Edinburgh	[illegible]	[illegible]	[illegible]	Manchester	[illegible]	[illegible]	[illegible]	Rio de J'o	[illegible]	[illegible]	[illegible]
Amsterdam	[illegible]	[illegible]	[illegible]	Faro	[illegible]	[illegible]	[illegible]	Manila	[illegible]	[illegible]	[illegible]	Riyadh	[illegible]	[illegible]	[illegible]
Athens	[illegible]	[illegible]	[illegible]	Florence	[illegible]	[illegible]	[illegible]	Melbourne	[illegible]	[illegible]	[illegible]	Rome	[illegible]	[illegible]	[illegible]
Bahrain	[illegible]	[illegible]	[illegible]	Frankfurt	[illegible]	[illegible]	[illegible]	Mexico City	[illegible]	[illegible]	[illegible]	Salzburg	[illegible]	[illegible]	[illegible]
Bangkok	[illegible]	[illegible]	[illegible]	Funchal	[illegible]	[illegible]	[illegible]	Miami	[illegible]	[illegible]	[illegible]	San Francisco	[illegible]	[illegible]	[illegible]
Barcelona	[illegible]	[illegible]	[illegible]	Geneva	[illegible]	[illegible]	[illegible]	Milan	[illegible]	[illegible]	[illegible]	Seoul	[illegible]	[illegible]	[illegible]
Beirut	[illegible]	[illegible]	[illegible]	Gibraltar	[illegible]	[illegible]	[illegible]	Montreal	[illegible]	[illegible]	[illegible]	Singapore	[illegible]	[illegible]	[illegible]
Belfast	[illegible]	[illegible]	[illegible]	Glasgow	[illegible]	[illegible]	[illegible]	Moscow	[illegible]	[illegible]	[illegible]	Stockholm	[illegible]	[illegible]	[illegible]
Belgrade	[illegible]	[illegible]	[illegible]	Guernsey	[illegible]	[illegible]	[illegible]	Munich	[illegible]	[illegible]	[illegible]	Strasbourg	[illegible]	[illegible]	[illegible]
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Biarritz	[illegible]	[illegible]	[illegible]	H. Kong	[illegible]	[illegible]	[illegible]	Naples	[illegible]	[illegible]	[illegible]	Tangier	[illegible]	[illegible]	[illegible]
Bombay	[illegible]	[illegible]	[illegible]	Innsbruck	[illegible]	[illegible]	[illegible]	Nassau	[illegible]	[illegible]	[illegible]	Tel Aviv	[illegible]	[illegible]	[illegible]
Bordeaux	[illegible]	[illegible]	[illegible]	Inverness	[illegible]	[illegible]	[illegible]	New Delhi	[illegible]	[illegible]	[illegible]	Tenerife	[illegible]	[illegible]	[illegible]
Boulogne	[illegible]	[illegible]	[illegible]	I.o.Man	[illegible]	[illegible]	[illegible]	New York	[illegible]	[illegible]	[illegible]	Tokyo	[illegible]	[illegible]	[illegible]
Bristol	[illegible]	[illegible]	[illegible]	Istanbul	[illegible]	[illegible]	[illegible]	Nice	[illegible]	[illegible]	[illegible]	Toronto	[illegible]	[illegible]	[illegible]
Brussels	[illegible]	[illegible]	[illegible]	Jakarta	[illegible]	[illegible]	[illegible]	Nicosia	[illegible]	[illegible]	[illegible]	Tunis	[illegible]	[illegible]	[illegible]
Budapest	[illegible]	[illegible]	[illegible]	Jersey	[illegible]	[illegible]	[illegible]	Oporto	[illegible]	[illegible]	[illegible]	Valencia	[illegible]	[illegible]	[illegible]
B. Aires	[illegible]	[illegible]	[illegible]	Jo'burg	[illegible]	[illegible]	[illegible]	Oslo	[illegible]	[illegible]	[illegible]	Venice	[illegible]	[illegible]	[illegible]
Cairo	[illegible]	[illegible]	[illegible]	Karachi	[illegible]	[illegible]	[illegible]	Paris	[illegible]	[illegible]	[illegible]	Vienna	[illegible]	[illegible]	[illegible]
Cape Town	[illegible]	[illegible]	[illegible]	Las Palmas	[illegible]	[illegible]	[illegible]	Peking	[illegible]	[illegible]	[illegible]	Warsaw	[illegible]	[illegible]	[illegible]
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Chicago	[illegible]	[illegible]	[illegible]	London	[illegible]	[illegible]	[illegible]	Reykjavik	[illegible]	[illegible]	[illegible]	Zurich	[illegible]	[illegible]	[illegible]
Cologne	[illegible]	[illegible]	[illegible]	Los Angeles	[illegible]	[illegible]	[illegible]								
Copenhagen	[illegible]	[illegible]	[illegible]	Luxembourg	[illegible]	[illegible]	[illegible]								
Corfu	[illegible]	[illegible]	[illegible]	Luxor	[illegible]	[illegible]	[illegible]								
Dallas	[illegible]	[illegible]	[illegible]	Madrid	[illegible]	[illegible]	[illegible]								
Dublin	[illegible]	[illegible]	[illegible]	Majorca	[illegible]	[illegible]	[illegible]								
				Malaga	[illegible]	[illegible]	[illegible]								

Readings at mid-day yesterday
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Deaths in Soviet unrest

Continued from Page 1

Abkhazians have long complained about their treatment by the Georgians and were granted a series of cultural and economic concessions after protests in 1978.

The Abkhazian territory, in which the Abkhazis are now a minority of only 20 per cent of the 500,000, lies on the Black Sea coast.

The party boss of Abkhazia, Mr Boris Adleyba was fired last week by Mr Dzhumber Patiashvili, the Georgian Party Chief. In spite of this, large counter demonstrations by Georgians were mounted.

Widespread strikes have hit Tbilisi and other Georgian cities over the past few days. All transport is reported stopped, and a curfew has now been imposed. Behind this has been a *steady build up* of nationalist activity.

The three Transcaucuses republics of Georgia, Armenia and Azerbaijan – briefly a three-state federation, then independent states, after the 1917 revolution – are all displaying overt or repressed signs of nationalist rebellion.

THE LEX COLUMN

A farewell to analysts

Last week saw the departure of two distinguished analysts from the London stockbroking community: Mr Tim Congdon, economist with Shearson Lehman, and Mr Stuart Wamsley, chemicals specialist with Morgan Stanley. One is setting up a small research unit attached to a discount house, the other is to produce a newsletter. Given the present deplorable state of the securities industry, and the huge rewards amassed by good analysts in earlier years, it would not be surprising to see this kind of thing catching on. But there is a wider issue: whether investment analysis has a place in today's stockbroking at all.

It has always seemed a little odd that so much of the nation's expertise in industrial and economic analysis should be employed in the service of the stock market. This mattered less while analysts worked for single capacity brokers. But three things have changed that: Big Bang, the *Financial Services Act* and the industry's plunge into loss.

Some of the results have become familiar, such as the pressure on analysts to work with their market-makers, and to pull in lucrative merger and acquisition deals. Others are only starting to become apparent. Research reports can be *endlessly* delayed while they are cleared with compliance officers; and at the extreme, the analyst may find an invitation to dine alone with a company chairman ruled out by his firm's lawyers. This is perhaps more characteristic of the US houses; but they may simply be ahead of their UK rivals *in appreciating the real force* of securities legislation.

There could be an insurmountable paradox here. The function of good analysis is to provide superior intelligence; the integrated securities house can profit by that intelligence, and the law is there to stop that happening. The time may come when securities houses no longer want to employ analysts. The real question is how much longer good analysts will want to work for securities houses.

US economy

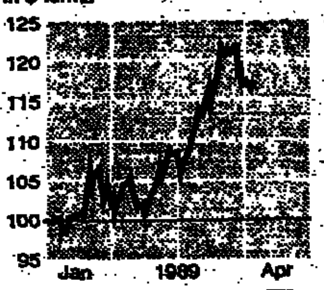
It is dangerous to draw too many general conclusions from a relationship as subjective as that between an American and his car. But it is difficult to ignore the 19 per cent drop in US car sales announced last week for the end of March. It may be just a straw in the wind; but if car buyers are finally getting the point about higher interest rates, consum*ers of other items could be* about to follow.

The irony is that Detroit should fall out of favour with the consumer just when it was offering some of the best financing deals for a very long time. This suggests that what matters at the moment is a buyer's overall perception of interest rates, rather than specific deals available on the showroom floor. But just because cut-rate finance failed to sell cars in March does not mean that the really savage discounts now available will fail again in April. Zero per cent finance is now available on some models, and the promise of a free lunch may tempt some buyers back.

If not, it is hard to see the industry avoiding some fairly major production cutbacks – the sort that could trim as much as ½ or 1 percentage point off US gross national product in the second quarter. Yet even if that turns out far too pessimistic, the *signs of consumer moderation* are there for all to see – obviously in the car market, tentatively in the housing market – and are likely to get worse before they get better.

South Africa

(FT-A World Index)
Relative to FT-A World Index
in $ terms



Amsterdam

Why should the world's fifth largest tyre company have its stock market flotation on one of Europe's smallest markets? Pirelli's decision to raise $250m by floating part of the equity of the newly formed Pirelli Tyre Holding on the Amsterdam stock market seems rather bizarre. Not only are none of its 29 factories located in the Netherlands, but unlike Montedison, which has floated several of its offspring on the international markets, Pirelli has chosen to shun more traditional listing centres such as New York and London.

Admittedly, Amsterdam is more international than many bigger European stock exchanges. Over half of its 475 quoted companies are foreign, and Royal Dutch, Unilever and Philips are international blue chip stocks. But it is one of the lowest-rated stock markets, and there are several other big new issues in the pipeline. The combination of low turnover and the absence of comparable companies means that it is not the most obvious stock market *to choose* if Pirelli wants a premium rating for its paper.

However, it seems that Holland is "fiscally kinder" than the UK or the US, and does not have the foreign exchange control problems of Italy. There may be good reasons why Amsterdam is convenient, but they are unlikely to help Pirelli get itself better understood by the international investing community.

South Africa

On the face of it, it seems scarcely logical that South Africa should have outperformed virtually every other world market in the first quarter. The gold price was low, interest rates high and inflation comfortably into double digits and rising; and in a one-commodity town like Johannesburg, the first of those factors alone might have pushed the market well down the league tables.

In fact, South Africa bettered the world average by 17 per cent in dollar terms in the first quarter, according to the FT-A world indices. Half the index is precious-metals stocks, which seem to have been bought on the principle that anything as low as that could not get much lower. Never mind that a large *chunk of the country's production* is unprofitable at the current gold price. Investors seem to have thought it time to get ready for a recovery; and though there is evidence they still think so, it is difficult to argue that gold shares should go much higher now.

Industrials have had a better excuse: a hothouse economy growing unseasonably quickly despite the government's best efforts to slow it; high corporate profits, strong balance sheets and low p/e's. The danger is that the government, unable to restrain growth by more subtle means, will have to throttle it or face impossible debt repayment problems. All that probably means that the market has done its outperforming for the moment, and possibly for the rest of the year. New investment limits for institutions could upset that by boosting demand for equities; but bad fundamentals can hold off the weight of money any day.

FINANCIAL TIMES COMPANIES & MARKETS

Monday April 10 1989

INSIDE

Bid blarney down on the farm

Farmers in the Irish midlands have seen nothing like it: over the past few weeks they have been lobbied hard in their farmyards and fields as two of Ireland's leading agribusiness companies have battled to gain control of the local Westmeath dairy co-operative. The national radio network has even been used to get the messages across. Keiran Cooke reports from Dublin. Page 20

Hard going for software houses

Software for personal computers is becoming more complex and sophisticated — and the companies which produce the programs are making heavy weather of the changes. The most obvious sign yet is a spate of products announced but yet to be delivered. Alan Cane examines the problems in the Business Column. Page 44

Abbey gets the Eurobond habit

The sterling sector of the Eurobond market moved into the limelight last week with a £400m long-dated issue from Italy and a £200m floating-rate issue, with debt warrants attached, by Abbey National Building Society. Abbey's was the first public deal to take advantage of the regulatory changes made in the British budget, explains Andrew Freeman. Page 21

Full listing for Hodgson

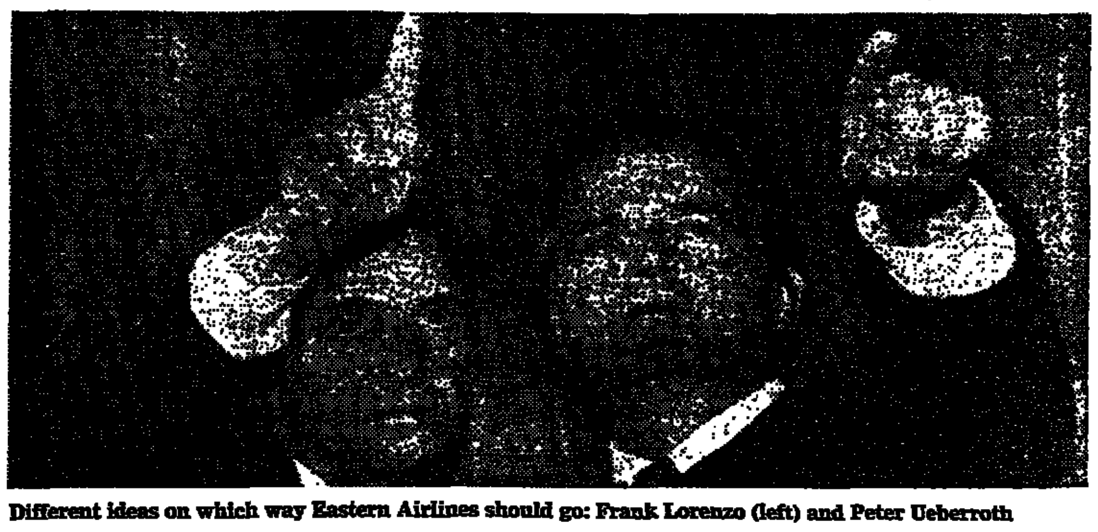
Hodgson Holdings will today become the first funeral director with a full UK stock market listing. The group, one of three quoted funeral companies, had hoped to move from the Unlisted Securities Market last autumn, but delayed its full listing to finalise a package of restructuring and joint ventures. Hodgson hopes the move will enable large institutions prevented from investing in USM companies to become shareholders in the group. Page 20

Market Statistics

Companies in this section

The hawk of Texas gets his wings clipped

Anatole Kaletsky explains how Frank Lorenzo came down to earth with a bump at Eastern Airlines



Different ideas on which way Eastern Airlines should go: Frank Lorenzo (left) and Peter Ueberroth

FROM the beginning, the public's fascination with the strike and bankruptcy at Eastern Airlines has been far greater than the business significance of America's seventh largest air carrier would have appeared to justify.

With last week's announcement of the company's pending sale to an investor group led by Mr Peter Ueberroth, the former US baseball commissioner, the reasons for the attention became quite clear.

The struggle over Eastern's future appears to have become a symbolic turning point, not only for the evolution of the US airline industry after deregulation, but far more broadly, for the campaign by US organised labour to reassert itself after a decade of continuous defeat.

If Mr Ueberroth's deal with Eastern goes ahead as planned, the unions will have achieved their two essential objectives.

These were to put control of the airline substantially in the hands of its employees and, just as importantly, to deliver a public humiliation to Mr Frank Lorenzo, the fervently anti-union chairman of Texas Air Corporation, which bought Eastern in 1986 against the clearly-expressed wishes of its employees.

Not only would Mr Ueberroth's proposal give Eastern employees an equity stake of 30 per cent in the company, in exchange for concessions on salaries and work rules, he went out of his way to stress the role that union leaders could expect in running the reconstituted airline.

"Our plans could not go forward without employee involvement – without employees there is nothing," he said on Saturday. The union negotiators, with whom Mr Ueberroth intends to hammer out new labour contracts by a self-imposed deadline of midnight on Tuesday, represent "26,000 people who have spent millions of man years with the airline. If we as a group of outsiders came in and told them how to run that airline we would be making a serious mistake – we're going to work with them on what we think are good plans and what they think are good plans," he said.

Obviously such words are music to the ears of union leaders who have been battered by ten years of defeat on the picket lines and in the job market.

Mr Lorenzo has consistently denied being a union-busting ideologist. "The unions created a spectre of me that was a joke – the work of public relations artists," he said last week.

Whether the image was accurate or not, he came to be seen as the epitome of the Reagan era's war against organised labour when he broke the machinists and pilots unions at Continental Airlines by putting the company into bankruptcy and sacking all striking employees in 1983.

Coming so soon President Reagan's celebrated sacking of the air traffic controllers, this action fixed Mr Lorenzo's image as the nemesis of US organised labour.

Just as important as his image was the impact his business philosophy had on competition in the airline industry. He took less than a decade to build up Texas Air from a shell company into the biggest transport business in the non-communist world. He did this by cutting labour costs and prices.

The airline deregulation of 1978 was what enabled him to do this, and then, to the unions' chagrin, forced other carriers, to follow his techniques. But Mr Lorenzo's initial successes and the other airlines' attempts to emulate him masked an important change which was occurring in the structure of the industry.

For just as Mr Lorenzo's cut-price strategy seemed to be reaching the acme of its success in 1986, when Texas Air took over People Express, Frontier Airlines and Eastern in quick succession, competition in the airline business was beginning to slacken, while the labour market was tightening.

From 1985 to 1988, average hourly earnings in air transport rose by 19.6 per cent – more than double the 7.8 per cent wage inflation in the US economy as a whole. This contrasted sharply with the period of intense competition from 1983 to 1985, when earnings fell by 1.4 per cent in air transport, against an economy-wide increase of 6.8 per cent.

Ultimately, it was this tightening of the labour market – a consequence both of the booming US economy and of expansion of air travel due to deregulation itself – that was Mr Lorenzo's undoing.

In 1983, He no problem hiring replacements for the striking pilots and machinists at Continental. This time round, however, replacing the strikers proved to be impossible – there simply were not any experienced pilots unemployed in the US.

With Eastern and Continental now due to be separated, and Mr Lorenzo's austere influence on the whole airline industry diminished, the fate of both companies may depend on how well they can compete in a full-service, higher cost, markets.

Ironically, Continental, with its nationwide system, may prove to be more viable in a high-cost full-service environment than Eastern, whose business is concentrated in the highly competitive holiday routes to Florida and the Caribbean. Unless Mr Ueberroth comes up with some cunning plans for restructuring Eastern's route network, the unions may yet find that Mr Lorenzo gets the last laugh.

French banks switch onto the offensive

By George Graham in Paris

FRANCE is well ahead of its European Community competitors in the volume of reports and treatises it has produced to assess the impact of the single European market.

Many of these reports have pointed a warning finger at fund management: partly because it is one of the first sectors of the financial services industry to open up to competition, with the introduction of harmonised unit trusts in October this year, but mainly because of a widespread conviction that France's tax system will inevitably drive mutual fund investors abroad to the more favourable fiscal climates of Luxembourg or the UK.

French banks have already responded to this threat. Almost all of them already sell Luxembourg-based funds to their favoured clients, more or less under the counter – legally, but without publicity.

Société Générale, the largest private sector French bank, showed last week with its £50m purchase of UK fund manager Touche Remnant that there is another way of approaching the problem: instead of complaining about the iniquitous French tax system and shifting offshore, it is possible to try to improve your own competitive position, in this case, by adding Touche's international equity skills to Société Générale's own bond and money market expertise in a FFr190bn ($30.2bn) fund management operation.

Mr Marc Viénot, chairman of Société Générale, is not alone in reaching this conclusion. Cutting across the differences between nationalised, private and co-operative banks, there is a general impression that the leading French banks have gone on the offensive, even if their strategies are taking them in very different directions.

Inevitably, the magic symbol "1992" is cited to explain the movement. With freer competition, French banks must clearly act both to defend their domestic market against foreign invasion, and to win back abroad the market share that they do end up losing at home.

It is not just 1992, however. Quite apart from the foreigners – and Deutsche Bank has been sniffing for some time at possible ways of entering the French market with a bang – there are a variety of new competitors, without the heavy overheads of the traditional banks. These range from the specialised treasury banks like BIP or Batif to the direct marketing specialist Compagnie Bancaire, by way of supermarket giants like Carrefour and Leclerc, which are both beginning to offer financial services to their customers.

The most striking change in French banks' strategy has been their rapid advance into life insurance. Predica, the life insurance subsidiary of the Crédit Agricole, recorded FFr17.2bn of premiums last year, only three years after its creation, making it the sixth largest insurer in France, and the second in life alone.

Mr René Thomas, chairman of Banque Nationale de Paris, the largest nationalised bank, has taken this development further. BNP already sells FFr5bn a year of life insurance, but to move into the non-life sector it has teamed up with Union des Assurances de Paris (UAP), the largest state insurer, in a partnership to be cemented by crossed shareholdings of between 5 and 10 per cent.

The partnership aims to begin cross-marketing products, with BNP branches selling motor and home insurance, using UAP's policies and after-sales service, and UAP's agents offering car and home loans from the BNP.

Countering criticism that the UAP alliance barricades the bank into its home market, BNP has also bought the UK mortgage business of Chemical Bank, and has just stamped its own name on its London equities business, formerly known as Ark Securities.

Mr Jean-Yves Haberer, newly installed as chairman of the Crédit Lyonnais, shares an owner with Mr Thomas, but he does not share his view of the synergies between banking and insurance.

"Let's not be too clever. If there were something fertile to be invented in this area, the Anglo-Saxons would have thought of it before us," he exclaims modestly.

But although Mr Haberer clearly does not want to team up with a single insurer – Assurances Generales de France (AGF), the second largest state group, had been tentatively suggested – he is still experimenting with non-life insurance sales in Crédit Lyonnais branches.

The bank has also profited from the gradual withdrawal of Chase Manhattan in Europe, buying Chase's Dutch subsidiary last year and then its Belgian bank last month, adding to already strong positions in both these markets.

Some foreign ventures are less fortunate. Mr Haberer has indicated that Alexanders Laing and Cruickshank, Crédit Lyonnais's London securities operation, cost it around FFr500m last year, knocking net profits back from the FFr2.8bn that had been expected.

What is striking about these separate offensives is that the strategies adopted are not dependent on who controls each bank.

Mr Haberer, although controlled by the state, is much closer in his views on the links between banking and insurance to Mr Viénot than he is to Mr Thomas.

Meanwhile, Mr Pierre Bérégovoy, the finance minister, stands accused of persistent meddling in the affairs of both state-owned and private sector banks, yet he appears willing to accept from the financial institutions which he controls a variety of different strategies.

Mr Marc Viénot: improving Société Générale's competitive position within Europe

Who has the right answer? The evidence on bank-insurance synergy is contradictory, as is the experience of selling financial products through supermarket outlets.

What is interesting, however, is that French banks are not, or not all, slavishly bowing to fashion. Perhaps even more importantly, they are not, or not all, waiting for the government to tell them what to do.

Economics Notebook

A battle to gain Mr Kohl's ear

EUROPEAN monetary union is moving back into the realm of high politics even before the Delors committee of central bank governors and outside experts has finalised its report on the "concrete steps" needed to achieve that elusive goal.

Last Thursday, Mr Helmut Kohl, the West German Chancellor, held a lengthy meeting with Mr Jacques Delors, the EC Commission President, in Paris to discuss economic and monetary union. Two days earlier, the issue was on the agenda in talks between Mr Kohl and French President Francois Mitterrand.

That the West German Chancellor should have been so active last week is significant. He could emerge as the key man in the European monetary debate in the next few months.

The latest Delors committee draft, which will be discussed by the 17-strong group in Basle on Tuesday and Wednesday with a view to completing discussions on April 19, marks progress towards consensus but has left several fundamental issues unresolved.

According to officials familiar with the document, the latest draft shows the committee is still divided over the speed at which economic and monetary union should be achieved.

Differences exist on whether to proceed pragmatically by building on the existing European Monetary System, so avoiding a change to the EC treaties, or by pressing ahead with institutional developments in the direction of a common currency or central bank that would require treaty amendments.

This latter point has raised the question of relevance to Britain about whether the Community could take the institutional route to monetary union without all member states participating.

But monetary officials say these differences do not necessarily mean that the Delors committee will be unable to agree a unanimous report.

Skilful drafting, and the avoidance of any hint of a blueprint, could result in a report that would give heads of government a description of the routes to monetary union and possibly an idea of its costs in terms of national economic and monetary sovereignty.

Such a report, however, would be very much a technical document. It would push the hard political decisions on economic and monetary union firmly into the politicians' court.

There are some monetary policy makers who believe that this is just what the French Government has been seeking.

France takes over the presidency of the European Community for six months at the middle of the year. It was an early supporter of the present drive towards economic and monetary union. Mr Jacques de Larosière, the French central bank governor, has put forward plans for institutional development of the EMS, including a limited pooling of monetary reserves that would almost certainly involve amendment to the EC treaties.

Agreement on some such move at an EC heads of government meeting in Paris later this year would be a fitting end to the bicentenary celebrations of the French Revolution.

The usual British position, expounded by Mr Nigel Lawson, the Chancellor, in January is that London would veto any treaty change needed for institutional progress towards economic and monetary union.

What is less certain is whether Britain would be able to halt the establishment of an inter-governmental conference to prepare such a change.

At the Milan summit of June 1985, Mrs Thatcher's attempt to block discussion on European union by the then ten member states was voted down by a majority of seven to three. In the event, Britain joined in the inter-governmental discussions that resulted in the Single European Act.

In the Delors group, France, Italy and Spain are the most enthusiastic supporters of rapid institutional progress towards economic and monetary union.

Britain, in objecting to treaty changes, has allies. The Bundesbank's president Mr Karl-Otto Pöhl and the representatives of Luxembourg, Ireland and Denmark all favour the alternative of further incremental progress in the EMS as the way to a distant union. But these countries could lose patience with the UK for staying out of the EMS exchange rate mechanism.

At the level of heads of government, there is believed to be more sympathy for institutional progress towards monetary union than among the central bankers of the Delors group. Some European monetary officials believe Portugal, Greece and Belgium could join the French-led group, bringing the number of countries in favour of institutional progress and treaty change to six.

With half the EC's member states for institutional change, Mr Kohl's attitude would be of vital importance.

A year ago he was in favour of progress to economic and monetary union. Where he stands now is unclear, because of the reservations of the Bundesbank and the decline of support for his centre-right coalition government in recent regional elections.

As work on the Delors committee draws to a close, the debate on monetary union in Europe therefore looks set to turn into a battle for Helmut Kohl's ear.

Peter Norman

THIS WEEK

US TRADE figures for February are likely to attract most attention this week, possibly influencing dollar trading and speculation about world interest rates.

The consensus of City analysts' forecasts, compiled by MMS International, the financial research company, is for Friday's figures to show a merchandise trade deficit of $10.2bn on a customs imports basis.

Other key US statistics include measures of industrial production and capacity utilisation in March, also on Friday, which will indicate how fast the economy is growing. The consensus is for a 0.2 per cent rise in production and for a capacity utilisation rate of 84.3 per cent.

The producer price index, showing factory gate prices in March, is published on the same day and could provide an early warning of inflation trends. A rise of 0.5 per cent is expected.

Japan's merchandise trade surplus has been rising continuously in recent months, and the publication on Thursday of figures for March – and thus for the full fiscal year – could cause a new outburst of concern in the US.

According to some estimates, the surplus for the month could be as high as $7.3bn, up fractionally from $7.2bn in February and the highest since November.

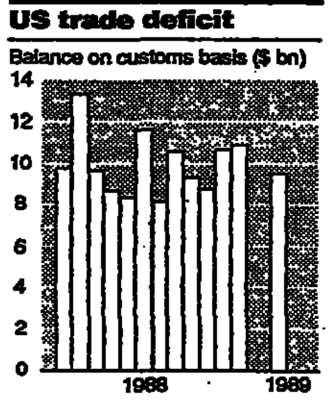
Even if it does not rise, it will almost certainly be large enough to see the full fiscal year figure surpass the $78.1bn level in 1987-88.

In the UK, a stream of economic statistics this week culminates with March's retail prices index on Friday. In February the annual rate of inflation accelerated to 7.8 per cent, the highest since August 1982. The consensus is for a 0.5 per cent rise in March, taking the annual rate to 8.0 per cent.

Figures for average earnings, published on Thursday by the Department of Employment, are expected the show the underlying annual rate unchanged at 9 per cent. A rise could add to fears of inflationary pressures in the economy. Analysts will also watch for figures productivity and unit wage costs.

US trade deficit

Balance on customs basis ($ bn)



Figures for French consumer prices in March are released on Friday but the annual rate of inflation is expected to be unchanged from February's 3.4 per cent.

Other events and statistics this week (with MMS International consensus of forecasts in brackets) include:

Today: UK producer prices (0.7 per cent rise in seasonally-adjusted input prices, 0.4 per cent rise in output prices).

Tomorrow: Delors Committee of central bank governors on European economic and monetary union meets in Basle. Japan, February machinery orders.

Wednesday: Australia, Mr Paul Keating, Finance Minister, presents economic statement. Delors committee continues.

Thursday: UK Finance bill published. Unemployment in March (37,500 fall) Japan, corporate bankruptcies in March. US retail sales figures for March (unchanged). Monthly monetary aggregates for March.

Friday: US business inventories (up 0.5 per cent). Canada, consumer price index for March.

UK COMPANY NEWS

Hodgson becomes first fully listed funeral director

By Andrew Hill

HODGSON HOLDINGS will today become the first funeral director with a full stock market listing.

The group, one of three quoted funeral companies, had hoped to move from the Unlisted Securities Market last autumn, but delayed its full listing to finalise a package of restructuring and joint ventures.

Hodgson hopes the move will enable large institutions prevented from investing in USM companies to become shareholders in the group.

In February, Hodgson announced it would place £14.5m of unquoted convertible preference shares with B&C Ventures, British & Commonwealth Holdings' development capital arm. The deal could leave the financial services group with 20.8 per cent of Hodgson's enlarged capital by the mid-1990s.

Hodgson joined the Unlisted Securities Market in June 1986 and has since increased its turnover from £2.7m to £17.8m, and pre-tax profits from £840,000 to £5.4m, mainly through an aggressive programme of acquisitions.

The funeral director – the UK's largest after the Co-Op – is valued at £33.5m on Friday's closing price of 166p, down 2p.

Courtaulds pays £10m for Phoenix acquisition

By Alice Rawsthorn

COURTAULDS, the chemicals and textiles group, has expanded its performance films interests in the US by buying Gila River Products in Phoenix, Arizona for $17.5m (£10.3m).

Gila River is a privately owned company which specialises in the coating and laminating of films for aerospace and medical applications. It employs 117 people and made profits of $1m on sales of $23m last year.

Mr Richard Lapthorne, group finance director, said the acquisition of Gila River offered an entrée into new areas of technology and new markets for Courtaulds' film business.

Courtaulds diversified into performance films two years ago by buying Martin Processing. At the end of last year it acquired Andus, a California company located close to Gila River. After the addition of Gila River, the performance films division will make annualised sales of $100m.

Mr Lapthorne said Courtaulds intends to continue with the expansion of this area of activity. The chief objective for the future, he said, would be to develop an international presence within performance films.

Vistec will not change bid terms

By Nikki Tait

VISTEC, the USM-quoted computer services and supplies group, said that there would be no change in the terms of its offer for DDT Group, the computer maintenance company.

Since Vistec announced its all-paper offer, Apricot Computers – the personal computer manufacturer - has made a rival bid, this time comprising both share swop and cash alternative terms.

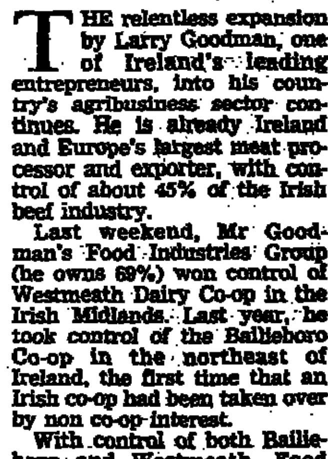
However, Vistec said that these cash alternative terms placed approximately the same value on DDT as its own paper offer, and that it believed this was a fair value for the group. With Vistec at 25p, its own offer is worth £7.2m, while Apricot's cash offer of 115p per share prices the company at £7.44m. The Apricot share offer is worth £7.87m.

DDT has already said that, from a commercial point of view, it sees more benefits from the Vistec links than from becoming an Apricot subsidiary. However, its formal advice to shareholders is to wait until the Apricot offer document is published - advice which its advisers reiterated yesterday.

Apricot, meanwhile, has now acquired certain shares over which it previously held pre-emption rights. This means that its directly-owned stake in its bid target now stands at 39.91 per cent.

Breaking up the cosy club

Kieran Cooke on Larry Goodman's expansion



Larry Goodman: controls 45% of Irish beef industry

THE relentless expansion by Larry Goodman, one of Ireland's leading entrepreneurs, into his country's agribusiness sector continues. He is already Ireland and Europe's largest meat processor and exporter, with control of about 45% of the Irish beef industry.

Last weekend, Mr Goodman's Food Industries Group (he owns 69%) won control of Westmeath Dairy Co-op in the Irish Midlands. Last year, he took control of the Baileboro Co-op in the northeast of Ireland, the first time that an Irish co-op had been taken over by non co-op interest.

With control of both Baileboro and Westmeath, Food Industries now has 4% of Ireland's milk processing industry. Various co-ops spread throughout Ireland control the remainder of the dairy sector.

Mr Goodman has recently accumulated an 8.84% stake in Unigate, the British dairy and food concern. He has also built up a minority interest in Berisford International, owner of British Sugar, the sugar beet processor which dominates the UK sugar market.

Food Industries is expected to announce shortly a new contract to supply Irish milk to supermarket chains in the English Midlands. It seems likely that Mr Goodman will continue to seek control of other Irish dairy co-ops.

With the addition of Westmeath Co-op, Food Industries will now be processing more than 40m gallons of milk per year. But the company still has extra capacity which it is keen to utilise. It also has a plant for the manufacture of Feta cheese which has been lying idle because of a shortage of milk supplies.

Strict European Community quotas on milk supplies have resulted in shortages and a battle for the supply of every available gallon of milk. Mr Goodman and Food Industries argue that in the run-up to 1992 and the single European market, Irish agribusiness companies must accumulate supplies in order to compete with their bigger European counterparts.

Others say that the Irish co-operative movement, one of the integral parts of the Irish economy since the country's independence, is now being sacrificed to private interests.

A spokesman for the Co-ops Society said there were indications that Westmeath had been won by Mr Goodman through the votes of so called "dry shareholders" - those with no milk supplies of their own and with no interest in the future of the co-op movement.

The tussle for control for Westmeath Co-op had been intense. Pitted against Food Industries was Avonmore Co-op, at present Ireland's biggest milk processor handling 140m gallons, or 12% of the Irish milk total, each year. Both Avonmore and Food Industries had made successive bids and counterbids for Westmeath, a comparatively small co-op, during a campaign lasting nearly two months. Food Industries' final mixed cash and share offer to Westmeath's 1,800 shareholders is said to be worth almost I£30m.

The Food Industries/Avonmore battle had all the razmataz of an election campaign. Farmers living round the small towns of Mollingar and Tullamore in the Irish Midlands were constantly lobbied by both sides in their farmyards and fields. There were adverts in national newspapers outlining the attractions of each company's offers; the national radio network was even used to get the messages across.

As shareholders crammed into a local community hall to make their decision, Mr Goodman flew in by helicopter to explain the merits of private enterprise and the need to break up what he called "the cosy club" of the Irish co-ops.

In the end, Food Industries, which has ambitions to expand into one of the leading agribusiness companies in Europe, won the day. Mr Goodman described his victory as a vote of confidence for private enterprise; others said the result spelled the beginning of the end for the Irish Cooperative system.

Food Industries, which was floated last year, handles all Mr Goodman's non-beef interests. His privately held Goodman International, together with Food Industries, is now estimated to account for more than 4% of Ireland's GNP. Food Industries recently announced 1988 pre-tax profits of I£6.1m.

Significant progress at Try as profits jump 95%

TRY GROUP, which intends to seek a listing this month, reported pre-tax profits up 95 per cent from £2.02m to £3.95m. Turnover for this construction and building company was ahead at £88.4m, against £48.7m.

Mr Hugh Try, chairman, said the year had been one of significant progress laying the groundwork for the future by acquisition and joint ventures. Earnings per share were 710p (355p).

He added that contracting remained a core activity and Try Construction and Try Build had had good years. The year had seen a feverish market for new homes and house sales were beginning to move forward again after the severe check to the market.

Property development increased during 1988 and made an increased contribution to profits. Most of the company's developments were carried out as joint ventures with Mistletoe Properties.

Early in the present year Try bought a large stake in Mistletoe, which has been renamed Try Mistletoe Properties.

Salary rises at Williams

MR NIGEL RUDD, chairman of Williams Holdings, last year saw an increase in salary from £204,000 to £403,000. A similar rise goes to Mr Brian McGowan, the company's chief executive.

The accounts also detail Williams's significant pension fund surplus, which is now put at £71.96m.

In terms of trading, the company says the current year has started well.

Dawsongroup on target with profits of £6.05m

PRE-TAX profits of £6.05m were achieved in 1988 by Dawsongroup, the truck rental and contract hire operator which joined the main market last November.

That compared with not less than £5.9m forecast in the placing, and with £4.09m made in 1987.

Earnings were 14.3p (9.2p). The first public dividend is expected to be the interim for 1989, which should be announced in September.

Turnover moved up from £35.84m to £45.51m. Of the profit, rentals accounted for £4.19m (£2.85m), commercial vehicles £1.77m (£1.29m) and cars £86,000 (£100,000).

Mr Peter Dawson, chairman and chief executive, said he was pleased to sustain such a high level of profit growth without erosion of the return on average capital employed, which had stayed above 21 per cent.

He said the 37 per cent increase in revenue at Dawsonrentals reflected the considerable investment in additional vehicles and expansion of the depot network, which was on target to meet the objective of 39 locations by mid-1990. Some £22m was spent on new trucks and trailers.

Bilton ahead 38%

Percy Bilton, property investor and developer, increased pre-tax profits by 38 per cent from £14.56m to £20m in 1988. Turnover came out at £45.62m (£35.97m).

Earnings were 30.1p (22p) and the final dividend is 9.95p for a total of 15.1p (13.38p).

An independent revaluation puts the group's portfolio at £300.31m (£211.94m), giving rise to an estimated net asset value, excluding trading divisions, of 613p (410p) per share.

Rothmans draws full Tabacofina

Rothmans International, the cigarettes and luxury products group, proposes to pay BFr5.48bn (£82m) for the 40 per cent minority in Tabacofina, its quoted Belgian subsidiary.

Tabacofina's board has recommended the BFr18,500 per share offer, which compares with the suspension price of BFr12,525 last Thursday and is based on a valuation by Salomon Brothers International, retained by both companies.

Chancery seeks banking growth

Chancery, merchant banking and financial services group, is seeking to expand its banking division with an offer to buy Petrofin for £2.5m in shares.

Petrofin, which offers a range of financial and related advisory services, showed pre-tax profits of £30,490 for the ten-month period to January 31 1989.

Chancery reported pre-tax profits of £3.06m for the six months to September 30.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims- Highland Distilleries.

Finals- Accord Publications, Asda Props, Chepstow Racecourse, Computer People, Dewhirst (I J), Durham (D G), Ex-Lands, Fortnum & Mason, Home Counties Newspapers, ISA International, Inchcape, Kyamsons Corp, LIT, Lamont, Lanca, Mowlem (John), Pennine Optical, Pergamon, Proudfoot (Alexander), Renaissance, Serna.

FUTURE DATES

Interims-

Bracken Mines	Apr. 19
Strategic Inv Tst	Apr. 20
International City	Apr. 7
Kinross Mines	Apr. 19
Leslie Gold Mines	Apr. 19
Persborb	Jun. 2
Unisel Gold Mines	Apr. 19
Vanbrugh Currency	Apr. 25
Winkelhaak Mines	Apr. 19

Finals-

APV	Apr. 19
Austin Reed	Apr. 19
Barry Starquest	Apr. 13
Blockleys	Apr. 11
Blue Circle	Apr. 13
Denison International	Apr. 19
Eprite	Apr. 21
Essin	Apr. 20
Ex-Lands	Apr. 12
Hestair	Apr. 20
Hyman	Apr. 12
Julianna's	Apr. 18
McLaughlin & Harvey	Apr. 12
Morgan Crucible	Apr. 17
Sindall (William)	Apr. 18

COMPANY NEWS IN BRIEF

AITKEN HUME announced that 4.17m 7 per cent convertible cumulative redeemable preference shares (83.4 per cent of rights issue) have been taken up.

COUNTRYWIDE Communications has bought Campbell Dallas Associates, a London consultancy. Purchase price is not being disclosed.

EIS GROUP has bought Fluid Systems Europe, of Amsterdam, for $500,000 from Texcel International of New York.

EMAP is buying the Boston Advertiser from Mortons of Horncastle, subject to DTI approval. The Advertiser is a free fortnightly newspaper with a circulation of 21,900.

FERRY PICKERING is to pay a maximum £3.33m for Onkenhout, a Dutch specialist in high quality printing. Consideration to be met by £1.08m cash and issue of 1.19m shares, which have been placed; this will be reduced if Onkenhout's pre-tax profits do not reach £1.32m for the 20 months ended August 31 1990.

FOSECO has acquired two Welsh companies, Accumatic Engineering and Advanced Filtration. They make sintered metallic and sintered plastic filters, and have combined sales of £2.3m.

GLYNWED is making an agreed final 135p per share offer for outstanding shares in Plastic Constructions. Glynwed currently holds 4.68m shares (81.8 per cent). In addition, Glynwed has received an irrevocable undertaking from Longform, a wholly owned subsidiary of Suter, to accept the offer in respect of 974,205 shares (17 per cent).

HARTLEY BAIRD has completed the purchase of Carter Electric Motors for £500,000 cash.

HAZLEWOOD FOODS, which held 75 per cent of Ken Perrett (Evesham), has now acquired a further 22.5 per cent from Mr John Roberts, one of its directors, and the remaining 2.5 per cent from 3i. Total consideration of £950,000 has been satisfied by the issue of 338,613 shares to Mr Roberts and 37,624 shares to 3i.

HEATH (CE) is acquiring Westmain Insurance Consultants for an initial £675,000 in shares. Westmain is based in Teesside and runs a broking operation.

ICI group has acquired Tokibis Quimica, a private Brazilian maker of leather finishes, shoe finishes and adhesives.

IMI has sold IMI Pacific of Grenoble, which makes water-heating tanks mainly for the French market, to the Atlantic Group. Turnover in 1988 was £17.7m.

KENYON SECURITIES has increased its funeral directing branches to 121 with the acquisition of HC Patrick, of Farnham and Godalming, Surrey, for £1.3m – £650,000 cash and £650,000 secured 10 per cent loan notes 1990/91.

KOREA-EUROPE FUND net asset value per share at December 31 1988 was $23.86 ($12.75). Total revenue for six months was $97,000, compared to $135,000 for nine months from incorporation on March 12 to December 31 1987. After expenses and interest of $495,000 ($382,000), interim deficit before tax was $398,000 ($247,000). Directors anticipate there will be a revenue surplus for distribution for full year.

LASMO rights issue taken up by some 97 per cent. Balance sold in the market.

LOEB (OW) has acquired Dreyfus Ashby, fine wine importer, from Guinness.

MACARTHY has acquired Mollike McLean, comprising two retail pharmacies operating respectively in Broughty Ferry, Dundee and Kinghorn, Fife, for a cash of £176,000 plus stock at valuation.

SIMON ENGINEERING has sold the coal handling and railway equipment operations of Nolan for $900,000.

SPICE: recent rights issue accepted in respect of 6.82m shares (96.47 per cent). Balance sold in market at premium.

WYNDHAM GROUP has, with John Williams of Cardiff, set up Takedome, a joint venture formed to acquire some 10 acres of freehold land in Cardiff for future commercial development. Consideration is £3m cash.

FT Share Information

The following securities were added to the Share Information Service in Saturday's edition:

Mansfield Brewery (Section: Beers)

Mecca Leisure 7.25p Cv. Prf. (Leisure)

Smurfit (J.) 9¾% Cv. Ln. Nts. (Papers)

FINANCIAL TIMES STOCK INDICES

	Apr 7	Apr 6	Apr 5	Apr 4	Apr 3	Mar. 31	1989 High	1989 Low	Since Compilation High	Since Compilation Low
Government Secs.	86.08	86.54	86.70	87.10	86.81	87.30	89.29	86.08	127.4	49.18
Fixed Interest	97.24	97.48	97.66	97.82	98.06	98.32	99.59	95.93	105.4	50.53
Ordinary	1683.0	1684.2	1705.4	1708.4	1706.5	1707.9	1761.1	1447.8	1926.2	49.4
Gold Mines	189.0	188.9	191.0	190.4	190.9	190.2	196.1	154.7	734.7	43.5
FT-Act All Share	1058.56	1063.38	1075.13	1078.07	1076.51	1076.15	1101.68	921.22	1238.57	61.92
FT-SE 100	2045.7	2052.5	2078.2	2082.8	2079.6	2075.0	2125.4	1782.8	2443.4	986.9

EUROCREDITS

US thrifts bolster buy-out of Nabisco

US THRIFT institutions are the latest lenders helping to finance Kohlberg Kravis Roberts' mammoth $25bn leveraged buy-out of RJR Nabisco.

The thrifts are participating in a controlled distribution of the $13.6bn syndicated loan arranged earlier this year in which loan parcels are being bought by institutions willing to lend less than $100m apiece.

Participations in the original loan ranged from $100m to $1bn, and RJR Nabisco's bankers feared a free-for-all in the secondary market if lenders were allowed to sell off all at once their exposure to the largest corporate takeover in history.

Despite the precarious health of the US savings and loans industry, federal regulators say thrifts are perfectly within guidelines in lending to BB-rated RJR Nabisco. Federal Savings and Loan Insurance Corporation guidelines on sub-investment grade loans allow such lending as long as the total does not exceed 11 per cent of the thrift's assets. Also, the amount lent to a single borrower may not exceed 15 per cent of unimpaired capital and loan loss reserves.

Most of the assignments being sold will reduce the exposure of all lenders on a pro-rata basis. The second round of these assignments will close on Wednesday, and so far $1.75bn of the loan has been spread around.

But thrifts are only a small portion of RJR's new lenders. The biggest pieces of the loan have wound up with US insurance companies.

Elsewhere in the Euromarkets, bankers are increasingly questioning the old saw that it is sometimes necessary to make unprofitable loans in order to maintain a relationship that will bring in profitable business later on. Consider the disparate performances of two loans launched within a month of each other for similar borrowers: First National Bank and HFC Bank.

While the £400m four-year revolving credit for First National Bank is said to have been oversubscribed and is expected to be closed later this week, HFC's £200m four-year loan, launched a month earlier, will not be completed before late April, according to arranger First Chicago.

Indeed, market operators said one major bank which had been prepared to participate in the HFC loan withdrew after it learned it could not be assured of obtaining a critical piece of banking business from it.

First Chicago, explaining the different performances of the two loans, said it had only attempted to syndicate the HFC loan among a small group of "relationship" banks, while the four arrangers of the FNB loan had spread the net.

But bankers say the intense interest in the FNB loan simply stemmed from the fact that it offered a margin of 27¼ basis points for the first three years and 30 basis points thereafter. The HFC Bank loan, meanwhile, carried margins of 12½ basis points for the first 2½ years, rising to 17½ basis points thereafter.

First Chicago explains the disparate pricing of the two loans by saying that FNB, a borrower with no credit rating, is a different institution from HFC and far more heavily exposed to property.

But while bankers concede the difference in credit quality, they point out that HFC's loan does not carry the formal guarantee of the AA-minus rated parent company. FNB had been a licensed credit institution until it acquired the status of a bank about two years ago. Similarly, HFC Bank is the UK subsidiary of Household Finance Corporation, a Chicago consumer credit company.

Norma Cohen

EUROMARKET TURNOVER ($m)

Primary Market

	Straights	Conv	FRN	Other
US$	4,244.1	0.0	22.0	10,456.8
Prev	6,843.8	0.0	146.0	8,335.9
Other	1,908.4	53.9	747.8	2,666.3
Prev	3,515.7	4.0	97.5	1,078.4

Secondary Market

US$	13,075.0	812.7	4,029.6	7,387.1
Prev	16,150.2	883.3	8,112.2	4,595.9
Other	13,033.6	750.0	4,149.1	17,493.8
Prev	15,162.8	773.2	3,238.2	17,640.2

	Cedel	Euroclear	Total
US$	10,074.9	29,952.4	40,027.3
Prev	9,316.6	35,750.7	45,067.3
Other	16,457.8	24,345.1	40,802.9
Prev	17,316.4	24,193.6	41,510.0

Week to April 6, 1989 Source: AIBD

INTERNATIONAL BONDS

Abbey first off the mark with new short paper rules

THE Republic of Italy's £400m long-dated issue was not the only deal moving the sterling sector of the Eurobond markets into the limelight last week. A £200m floating-rate issue with debt warrants attached by Abbey National Building Society, the first public deal to use the regulatory changes in this year's UK Budget, also aroused comment.

Abbey National wasted no time launching its deal, tapping demand for short-dated paper one day after the rules came into effect for banks and building societies. The rule changes relaxed restrictions on public sterling issues of less than five years maturity by corporate borrowers.

The issue was interesting because it came with debt warrants attached, the first such deal by a UK building society and one of only a handful of such instruments. The warrants on several previous issues, particularly those by News Corporation and Standard Chartered, are due to expire in a few months. The rise of UK interest rates means investors have no incentive to exercise them.

The Abbey floating-rate notes yield London interbank offered rates flat and have an 18-month maturity, with warrants which expire on May 4 next year. The warrants are exercisable at par into a new issue of fixed-rate 10-year bonds which will carry an 11 per cent coupon. The lead manager was Baring Brothers.

The key to understanding is that the 11 per cent bonds have not yet been issued, and will only be issued if investors exercise their warrants. The borrower is making the reasonable assumption that all warrant holders will want to exercise or none will. In effect, the 11 per cent bonds will only exist if investors exercise their option to call the deal.

To value the warrants, investors have to assume how much the "phantom" bonds would yield if they existed now. The chart shows the lead manager's calculations of the theoretical price of the warrants against the 11 per cent bonds. For example, the market price of the warrants last Friday was 1.6 per cent, implying a price for the bonds of around 98¼ per cent.

To calculate the prices, analysts rely on so-called volatility assumptions, in this case 4½ per cent. Simply, this means they assume the future variability of movements in the price of 10-year bonds.

This introduces an element of debate because one basis of the volatility measurement is the spread of the particular borrower's bonds against gilts. In other words, the belief that the bonds should be cheaper relative to gilts implies a different value for the warrants.

Most quantitative analysts, including those at Baring, last week assumed a volatility of 5⅛ per cent, so warrants priced at 1.6 per cent implied a bond price of 97¼ per cent. At that level, there was a consensus that the pricing was finely judged by Baring.

However, there was also a feeling that the fine pricing meant arbitrageurs who would normally buy highly leveraged warrant instruments found little to attract them to Abbey. Syndicate members reported good demand for the floating-rate notes, but found the warrants hard to sell.

One official said: "In the current UK market conditions, a warrant deal has to have something to make it really eye-catching. In this case, the interest rate play is limited, while the outlook for sterling is unexciting. You also have to ask how liquid the Abbey warrants will be."

Baring was candid, agreeing the clear depression pervading the gilts market has translated into patchy early sales. However, it reiterated the beneficial aspects of the warrants, stressing the long-term interest rate play they offer as well as their gearing attraction.

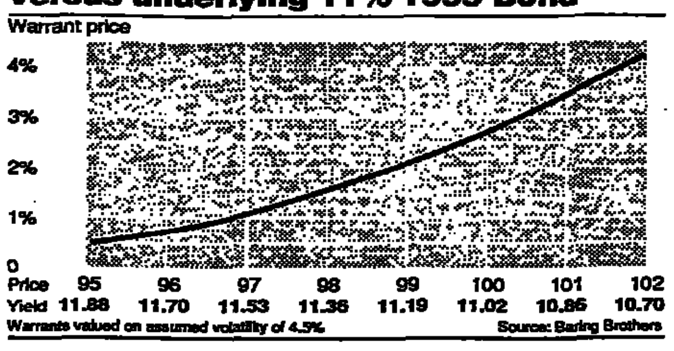
Mr Gareth Jones, Abbey National's treasurer, explained the borrower's perspective on the deal: "We needed additional funding during the period of our attempt to convert to plc status. Because we are a natural holder of gilts, with a portfolio of around £2bn, we have a natural hedge against the warrant structure."

If interest rates rise during the life of the warrants, investors will not exercise their call and Abbey will profit to the tune of about £3m, which it can use to subsidise the floating-rate issue. If rates fall and the 11 per cent 10-year bonds are issued as a result of the warrants being exercised, Abbey will raise £200m of fixed-rate funds which can be swapped into floating-rate sterling to achieve a sub-Libor funding rate.

Looked at it this way, the deal is excellent for the borrower. Whatever happens, Abbey will have borrowed a large amount for around a full point below Libor, a huge saving on its previous Euromarket deals which came at nearer Libor flat.

Andrew Freeman

Theoretical price for warrant versus underlying 11% 1999 Bond



Warrants valued on assumed volatility of 4.5% Source: Baring Brothers

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
Showa Denko‡◆	500	1993	4	4⅛	100	Nomura Int.	4.125
Jujo Paper‡◆	400	1993	4	4⅛	100	Nikko Secs. (Europe)	4.125
Onoda Cement Co.‡◆	300	1994	5	4¾	100	Nikko Secs. (Europe)	4.750
Mori Seiki‡◆	100	1993	4	4⅜	100	Yamaichi Int. (Eur)	4.375
Mitsubishi Electric‡◆	800	1993	4	4⅛	100	Daiwa Europe	4.125
Toyo Menka‡◆	300	1993	4	4⅛	100	Nikko Secs. (Europe)	4.125
Kamigumi Co.‡◆	300	1993	4	4¼	100	Nomura Int.	4.250
Intec Inc.‡◆	100	1993	4	4⅜	100	Nikko Secs. (Europe)	4.375
Japan Air Lines‡◆	1bn	1993	4	4⅛	100	Nomura Int.	4.125
Fujita Tourist Ent.‡◆	150	1993	4	4⅜	100	Nikko Secs. (Europe)	4.375
Wakachiku C'struction‡◆	100	1993	4	4¼	100	Nomura Int.	4.250
Asian Development Bank◆	100	1999	10	9⅞	101.35	Shearson L'man Hutton	9.659
Toyota Motor Finance◆	200	1991	2	10¼	100.95	Nomura Int.	9.705
Japan Finance Corp.◆	150	1999	10	9⅞	101½	IBJ Int.	9.635
Mitsubishi Estate Co.‡	700	1994	5	(5⅛)	100	Nikko Secs. (Europe)	★
Hoya Corp.‡	150	1993	4	(4⅝)	100	Nomura Int.	★
Ushio Inc.‡	150	1994	5	(5¼)	100	Daiwa Europe	★
Okamoto Industries‡◆	100	1993	4	4⅜	100	Yamaichi Int. (Eur)	4.375
Mitsubishi Bank§	300	2004	15	(3½)	100	Mitsubishi Fin. Int.	★
Tobu Railway Co.‡	300	1994	5	(5⅛)	100	Yamaichi Int. (Eur)	★
Santander Fin. Iss.‡◆	200	1996	7	7½	100	Morgan Stanley Int.	7.500
Zenchiku Co.‡	100	1994	5	(5¼)	100	Daiwa Europe	★
Shiroki Corp.‡	90	1993	4	(5¼)	100	Nomura Int.	★
CANADIAN DOLLARS							
McDonald's Rest.Canada◆	100	1994	5	11½	101⅞	RBC-Dominion Secs.	10.993
AUSTRALIAN DOLLARS							
State Bk Sth Australia◆	75	1994	5	15¼	102	Hambros Bank	14.658
Council of Europe◆	60	1990	1	17	101⅜	Commerzbank	15.413
NEW ZEALAND DOLLARS							
GMAC Australia Finance◆	50	1992	3	14	102	Hambros Bank	13.151
Societe Generale◆	50	1992	3	13½	101⅞	Fay, Richwhite	12.710
D-MARKS							
Toyo Tire and Rubber‡◆	100	1994	5	2	100	Commerzbank	2.000
Mitsubishi Bank§	500	1994	5	(2½)	100	Deutsche Bank	★
SWISS FRANCS							
Toyo Tire & Rubber★★‡◆	60	1994	-	1⅛	100	UBS	1.125
Tachi-S Co.★★‡◆	45	1994	-	1⅛	100	UBS	1.125
Kanebo Ltd.★★‡◆	500	1994	-	1	100	SBC	1.000
Teijin Seiki Co.★★‡◆	80	1994	-	⅞	100	Citicorp Inv. Bank	0.875
Shinobu Foods(i)★★§◆	30	1994	-	½	100	Nomura Bank (Switz)	0.500
Soc.de Dev.Regional★★◆	45	1993	-	5⅝	100⅞	Bqe Paribas (Suisse)	5.376
Advantest Corp.(a)★★§	200	1994	-	1	100	Credit Suisse	1.000
Miura Co.(b)★★§	60	1994	-	(½)	100	Nomura Bank (Switz)	★
Toyo Tst & Bank.(d)§	100	1994	-	(½)	100	SBC	★
Toyo Tst & Bank.(d)§★★	100	1994	-	(½)	100	SBC	★
Yamanaka Co.§★★	50	1993	-	(½)	100	Credit Suisse	★
Komatsu Zenoah‡★★	100	1994	-	(1¼)	100	UBS	★
STERLING							
Italy◆	400	2014	25	10½	100⅞	CSFB	10.401
Abbey National B/S(c)‡◆	200	1990	1½	(c)	101.60	Baring Brothers	-
ECUs							
EIB◆	250	1997	8	9	102	SBC	8.643
LIRE							
Ferrovie dello Stato‡◆	300bn	1997	8	(f)	100	San Paolo Bank	-
GUILDERS							
Intec Inc.‡◆	75	1993	4	1⅜	100	CSFB-Nederland	1.375
YEN							
Girozentrale-Vienna(e)◆	2½bn	1993	4¼	6½	101⅝	Nippon Credit Int.	6.045
Girozentrale-Vienna(e)◆	2½bn	1993	4¼	6.3	101⅝	Nippon Credit Int.	5.848
Great Belt (Denmark)◆	7bn	1994	5	(g)	100.10	LTCB Int.	-
Societe Generale(h)◆	3½bn	1994	5	7½	101⅞	Nomura Int.	-
African Dev. Bank(j)◆	40bn	1999	10	5⅛	100	Nomura Secs.	5.125
Zentralsparkasse Kbk(e)◆	3½bn	1993	4	6	101⅜	Bankers Trust Int.	5.607

★Not yet priced. ★★Private placement. ‡With equity warrants. §Convertible. ‡Floating rate notes. ◆Final terms. a) Put option 31/3/93 at 100. Coupon fixed at 1%. b) Indicated put to yield 2.277%. c) 3-month Libor flat. With bond warrants to buy 11% 1999 bond at 100 plus accrued interest. d) Indicated put yields 2.112%. e) Redemption linked to Nikkei stock index. f) Average of 6-month Libid and net annual yield of ICM bond index. Call from May 1990 and on any coupon date thereafter. g) Yen/yen interest swap rate less 30bp. h) Redemption linked to Nikkei stock index. i) Put yields 1.864%. j) Daimyo bond issue. Note: Yields are calculated on AIBD basis.

INTERNATIONAL CAPITAL MARKETS

US MONEY AND CREDIT

Slowdown casts doubt on rally

THREE weeks ago, with long bond yields above 9.3 per cent, and the producer price figures revealing an annualised inflation rate of 12 per cent for the second month in a row, it was relatively easy to suggest that bonds were at least temporarily oversold. However bad the portents for the bond market might have been in the long run, they could hardly have failed to improve somewhat from that point.

Today, the bond yield is flirting with the 9 per cent mark and nobody seems to believe that the economy is in the middle of an inflationary boom. The main question being debated in the stock market, a more sensitive and accurate economic barometer than the bond market for the past two years, is not whether the economy is still overheating, but whether the current slowdown can be brought under control before it degenerates into outright recession.

Only the perennial dollar bulls in the foreign exchanges seem to believe a further monetary tightening might be necessary, desirable or even possible in the near future.

But do the signs of economic slowdown mean the bond rally which began three weeks ago has further to go? Will they provide a retrospective justification for the market's euphoria a few months ago when yields fell towards 8½ per cent in response to Mr Alan Greenspan's empty promises to fight inflation?

This is unlikely. There is a growing consensus that short-term interest rates have reached a temporary peak and this seems plausible. Whether long rates can continue to move downwards below the 9 per cent mark is another matter. Indeed, the yield curve, far from becoming more steeply inverted, could flatten or even return to a conventional upward sloping pattern in the months ahead.

Inflation will remain a worry, even as the economy decelerates. The simplest evidence of this is the sudden vogue for the word "stagflation," the ugly but evocative term which has been used all too often in this column during the past nine months. Investors who fell too readily for Mr Greenspan's exaggerated rhetoric about eliminating inflation are likely to be more cautious in the current rally.

The market's innate caution is not the main reason for questioning the staying power of the current rally. Indeed, past experience suggests natural caution would be a thin reed on which to hang a bearish case. The "bond market vigilantes" who were supposed to dump their bonds and cause financial chaos at the first sign of inflationary backsliding by the Federal Reserve are still a negligible force in the market. Almost everybody seems to believe the Fed has finally done its duty in the good fight against inflation.

The rally may soon run out of steam not because of psychology but because of economic conditions. There are at least three interrelated problems. First, the economic slowdown does not look severe enough to tame inflation. Second, the Fed will probably release the brakes prematurely if and when the economy does decelerate more abruptly.

Third, and most important, there is the reason why the Fed will have to do this. What lies ahead looks like the wrong kind of economic slowdown. As things stand, the Fed's efforts to squeeze inflation out of the system are exacerbating the imbalances already threatening economic stability in the US and around the world.

An economic slowdown in the US manufacturing sector, one which undermines industrial competitiveness and threatens to enlarge the trade deficit still further, is something neither the US Congress nor the Japanese authorities will tolerate.

So far, the market has focused only on the first of these problems. There are now plenty of sceptics pointing out that the economy is still growing too strongly to slow inflation.

Car sales have weakened, but are about to be boosted again by the reintroduction of subsidised loans at 2.9 per cent or even 0 per cent. These incentives have proved extremely effective in the past in clearing Detroit's unwanted stocks. Construction and home purchases are down somewhat, but the weakness is essentially confined to the north-eastern US in what seems to be a delayed aftershock from the 1987 crash. For the country as a whole, housing activity is little changed compared with a year ago.

The National Association of Purchasing Managers has reported for the first time since 1986 that business conditions are stabilising, rather than improving further. But as Mr Ed Yardeni of Prudential Bache has pointed out, the NAPM index is a diffusion index, which measures only whether things are getting better or worse – "and for many companies, business is so good that it can't get much better."

Finally, there were the *ambiguous employment figures*, released on Friday. The growth of payroll employment, which has become the monthly figure that everyone on Wall Street watches, seemed to have slowed substantially, from 280,000 to 180,000. However, not only a quarter of this decline was attributable to the strike at Eastern Airlines; more importantly, there was dramatic acceleration in jobs not covered by the payroll survey, predominantly self-employed service jobs.

It was this non-payroll growth that more than swallowed the increase in the labour force and pushed civilian unemployment down from 5.1 to 5.0 per cent, its lowest level since 1973. Including the armed forces, total unemployment fell by a steeper 0.2 points to 4.9 per cent.

It was difficult, and probably unwise, to interpret all this data too precisely. But, apart from signalling a moderate economic deceleration, they did seem to contain one important message – that the slowdown has been concentrated in the manufacturing sector.

Even more than the political expediency that militates *against* a full-scale recession in 1990, a mid-term election year that will be crucial not only to the Bush Administration but to the whole Republican Party, *this problem of economic structure* is likely to prove a binding constraint on monetary policy in the months ahead.

The world simply cannot *afford* a further outbreak of US protectionist sentiment in response to a recession that hits selectively at the manufacturing sector. Another period like the early 1980s, when tight monetary policy subdued inflation through an overvalued dollar, is almost certainly not an option.

Central bankers may not like inflation, but if confronted with a choice between inflation and protectionism, there can be little question which the Fed would choose – and even if the Fed were to hesitate, the Bank of Japan would make the choice for it.

Anatole Kaletsky

US MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	12-month High	12-month Low
Fed Funds (weekly average)	9.81	10.00	9.50	10.00	6.27
Three-month Treasury bills	8.79	8.88	8.62	8.88	6.21
Six-month Treasury bills	8.77	8.96	8.65	8.96	5.72
Three-month prime CDs	9.95	10.10	9.90	10.35	6.77
30-day Commercial Paper	9.81	9.88	9.85	9.90	6.65
90-day Commercial Paper	9.82	9.80	9.85	10.05	6.65

US BOND PRICES AND YIELDS (%)

	Last Fri.	Change on wk	Yield	1 week ago	4 wks ago
Seven-year Treasury	[illegible]	[illegible]	9.37	9.37	9.33
20-year Treasury	[illegible]	[illegible]	9.26	9.24	9.25
30-year Treasury	[illegible]	[illegible]	9.10	9.09	9.12

Money supply: In the week ended March 17, M1 grew $0.2bn to $787.1bn.

NRI TOKYO BOND INDEX

December 1983 = 100	4/4/89	Average yield†	Last week	12 wks ago	26 wks ago
Overall	147.83	4.96	147.90	148.69	144.69
Government Bonds	148.10	4.77	148.29	149.82	144.45
Municipal Bonds	149.60	5.21	149.69	150.72	146.16
Govt.-guaranteed Bonds	150.60	5.28	150.63	151.69	147.41
Bank Debentures	141.74	4.86	141.67	141.43	138.38
Corporate Bonds	149.64	5.40	149.43	148.22	144.76
Yen-denom. Foreign Bonds	153.35	6.14	153.18	153.74	148.64
Government 10-year†	4.95	–	4.92	4.81	5.17

† Estimated par yield

Source: Nomura Research Institute

UK GILTS

Outlook for interest rates changes

SOME WEEKS witness a step-change in attitude towards the world. Such was last week for the gilt-edged securities market towards the outlook for UK interest rates, which are now thought due for a rise, and the economy.

The change in expectations started with comments by Mr Nigel Lawson, the Chancellor, in Washington to the effect that he could not be sure if the tightening in policy would succeed in dousing inflationary pressures in the world's major economies.

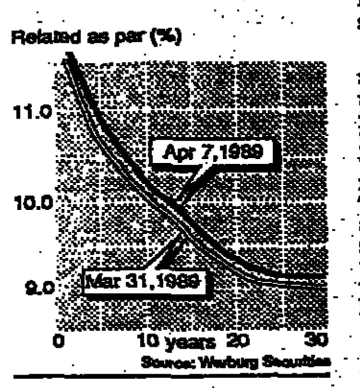
The Governor of the Bank of England, in evidence before the Commons Treasury committee, confirmed that the authorities were uncertain about the UK economy's response to high interest rates. Mr John Flemming, the Bank's chief economist and principal author of some of its more Delphic quarterly ruminations, even suggested that evidence of a slowdown was "precarious."

The Bank stuck to its view that a three-month to six-month horizon was still needed to assess the effects of higher interest rates. But it was not saying with any great conviction that it thought 13 per cent interest rates was the right number.

Its $1.2bn of intervention to support sterling in March also served to underline the pressures on the pound. A lot has been made of the Bank's "war chest" of foreign reserves – about $47bn on the new valuation. But if anyone thinks he can find an official at the Bank who believes that intervention alone can save sterling from a singleminded assault on the currency for any but a temporary period, he had better think again.

UK gilts yields

Related as par (%)



Source: Warburg Securities

No one at the Bank does. It won the argument about the limits of intervention in March 1988, when the pressures on the pound were in the opposite direction. Now that the pound is tending towards being weak, a defensive rise in interest rates to protect sterling will be its preferred position if the pressures on the currency become acute.

If doubts were being expressed by the officials, then they found ready listeners in the market as well. By the end of the week a number of leading UK securities houses had put out circulars forecasting higher interest rates to come, accompanied by either a "hard landing" scenario or, at best, a slightly lumpy "soft landing."

Supporting the change in sentiment is a growing sense that despite sign of a slowing in activity there is still a lot of life left in the UK economy. (It was interesting that the Governor, in his evidence to the Treasury committee, could adduce no more evidence of a slowdown than his officials were able to do in February, when the Bank's quarterly bulletin was published.)

The consequence of this robustness is more inflation, a *bigger current account deficit* and, when policy adjusts by raising interest rates another notch or two, a slower growth in 1990-91.

Mr Bill Martin at UBS Phillips & Drew, a prominent member of the "hard landing" school, sees the UK drifting towards a period of stagflation, where inflation remains around 6 per cent and growth falls to around 1½ per cent next year. This has to be the most bearish outlook for a bond market anywhere.

He is encouraged in this view by: history (after all post-war booms the bust has been characterised by a period of below-trend growth); by the outlook for pay negotiations; by the balance of payments constraint on growth; and by his belief that the Chancellor will fail to deliver the pre-emptive 2 point rise in interest rates necessary to deal a short sharp shock to the economy.

What P&D is to the hard landing school, Warburg Securities is to the soft landing view of the UK's prospects. The threat, as Warburg sees it, is inflation, but not accompanied by a steep slowing in the growth rate or a ballooning in the current account deficit.

Higher inflation comes on the back of stronger oil prices and unit labour costs, together with an expectation that domestically generated cost pressures will be more robust than first thought.

The labour market is a special concern here. With inflation expectations rising, the labour market tight and company profits still healthy, the clear risk is that pay deals will keep rising, and at a quicker rate, in the coming months. Last week's news that 75,000 electricity workers have rejected a pay deal of 6.9 to 7 per cent has fuelled concern.

Warburg is therefore looking for a rise in interest rates of one percentage point to 14 per cent. The trigger for the move will be some domestic indicator or a precipitous fall in the value of sterling in response to some unwelcome domestic event. Warburg does not see a rise in bank base rates forced on the Government by essentially external reasons, such as a tightening in US or West German monetary policy.

Simon Holberton

FT/AIBD INTERNATIONAL BOND SERVICE

US DOLLAR STRAIGHTS	Issued	Bid price	Chg on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

YEN STRAIGHTS	Issued	Bid price	Chg on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

WARRANTS				
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except for Yen bonds, where it is in billions.
FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate for US dollars. C.cpn=current coupon.
CONVERTIBLE BONDS: US Dollars unless indicated. Prem=percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem=exercise premium over current share price. Bond warrant ex yld=exercise yield at current warrant price. Closing prices on APRIL 7.

Advanced Micro bounces back to profit after cuts

By Louise Kehoe in San Francisco

ADVANCED MICRO Devices (AMD), the US semiconductor manufacturer, bounced back to profitability in the first quarter after heavy losses and a big workforce reduction in the final quarter of 1988.

A pick-up in orders from major makers of personal computers (PCs) boosted revenues, the company said. AMD has been significantly affected by uncertainties in the PC market, to which it is a big supplier.

Sales for the quarter were $269.6m, down 5 per cent from the $284.2m reported in the same period a year ago but up 9 per cent from the immediately preceding quarter, when AMD reported losses of $34.1m on sales of $248m.

Net income in the three months to March 26 was $10.0m, or 9 cents per share compared with $20.2m or 22 cents per share a year ago.

Mr W.J. Sanders, chairman, said: "While we enter the current quarter with improved prospects, we are highly dependent on turns business (orders booked for delivery within the quarter) to continue our sales growth." He went on: "The leading manufacturers of personal computers appear to have corrected an imbalance of component inventories and are once again ordering semiconductors at their rate of usage.

"There continues to be some weakness in demand from the second tier of PC manufacturers."

Sales of CMOS (complementary metal oxide semiconductor) chips rose to 18 per cent of integrated circuit revenues, up from 14 per cent. CMOS chips represent the highest growth sector of the semiconductor industry and AMD's ability to participate in this market is seen as an important signal of its future growth.

Exports rose to a record 49 per cent of total sales, the company said.

Cost reduction measures imposed in the fourth quarter, which included 2,400 job cuts, coupled with increased productivity enabled AMD's profitability to rebound, the company said. Research and development spending was reduced to 16.9 per cent of sales from 18.8 per cent in same quarter a year ago.

● Tandon, a US maker of PCs, has cut its domestic workforce by 20 per cent or 130 in a move that reflects a shake-out in the sector. It said the cuts were needed so that the company could function in an increasingly competitive market.

Big US makers of PCs, including IBM, Compaq and Apple Computer, are gaining an increased share of the market at the expense of smaller players such as Tandon, industry analysts said.

Tandon recently reported losses of $19.9m for 1988 compared with net income of $17.1m from continuing operations in the previous year.

In 1987, Tandon switched the focus of its business from PC disk drives to complete PC systems.

Some 80 per cent of 1988 sales were in Europe, and this continues to be its dominant market, Tandon said.

The company intends to go ahead with the planned introduction of a new range of higher performance PCs.

Liffe-Matif clash looms on D-Mark contract

By Katharine Campbell

BRITISH and French futures exchanges are poised for head-to-head competition to win custom for an almost identical Euro D-Mark three-month interest rate futures contract after an announcement from Matif, the French market, that it plans to introduce its product on an unofficial over-the-counter basis on April 19.

Liffe, which has chosen April 20 for the London launch, has been marketing its product since mid-February, hoping to capitalise on the success of the exchange's first German contract, a future on 10-year government bonds (bunds). The bund is on occasion more heavily traded than Liffe's one-time bellweather contract, the long UK government bond future.

Matif, by contrast, has moved hastily since regulatory approval of draft proposals 10 days ago to ensure the listing of its rival venture beats Liffe to the starting line. Competing futures exchanges tend to attach considerable importance to such matters as timing, though the marketplace may take as long as a year to vote – by where it channels liquidity – which contract is to succeed.

Final regulatory approval for the French version will not be obtained until the day Matif begins trading on the THS system, which is a telephone market restricted to exchange members.

Trading on the floor will not begin until May 9, to allow for time to iron out the problems of overcrowding in the pits, among other things.

While the French exchange can claim to be the world's third largest futures market ahead of Liffe, its selection of contracts has so far been confined to French franc products. Mr Michael Jenkins, Liffe chief executive, predicts that "inevitably the French banks will trade on their home exchange, but I believe that most of the other players will come to London."

Some of the big French banks have already begun trading a Euro D-Mark lookalike product in Paris.

Steinbergs reject C$1bn Oxdon bid

By Robert Gibbens in Montreal

THE STEINBERG family of Canada has turned down a renewed C$1bn (US$840m) offer from Toronto's Oxdon Investments for Steinberg, their supermarket and property group.

Oxdon is a consortium of Oxford Development, Gordon Investment and an affiliate of entrepreneur Mr Sam Mann's Unicorp Canada.

It proposed a C$1bn recapitalisation of Steinberg under which the eastern Canada supermarkets would be sold to Loblaw Cos and the Steinberg shopping centres and other supermarket property assets would be rolled into Oxdon.

The offer claimed that under Quebec's corporate law, voting and non-voting shareholders of Steinberg could vote on the offer with equal rights. Steinberg has 6m voting shares and 17m non-voting shares outstanding.

Under the offer each Steinberg shareholder could choose C$50 a share cash, one share in a new company to hold the property assets, or a combination of cash and shares.

The Steinberg board, including representatives of the family holding 87 per cent of the voting stock, unanimously rejected the Oxdon offer. A similar offer worth slightly less was rejected nine months ago.

Steinberg lawyers said once the board had rejected the latest Oxdon offer, shareholders would have to vote in separate classes on the recapitalisation plan, even if it were court-sanctioned.

The Steinberg board said continuing the business as a food distributor and property group was in the interests of all shareholders.

Oxdon said it would decide early this week whether to take its recapitalisation plan to court.

● Mr Craig Dobbin, a Newfoundland entrepreneur, has tightened his hold on the Canadian helicopter charter market. His CHC Helicopter has bought Viking Helicopters, an Eastern Canada operator, with about 60 machines and annual revenues of about C$21m.

CHC contracts out helicopters and crews.

Nirma Chemical to invest in five projects

By Gita Piramal, recently in Ahmedabad

NIRMA CHEMICAL Works, a detergent manufacturer and India's second largest privately held group, is to invest more than Rs2bn in five new projects which will make it one of Asia's most integrated soap and detergent makers.

In the latest and most ambitious of the proposals, it plans to manufacture 60,000 tonnes per annum (tpa) of linear alkyl benzene (LAB), a licence for which is being sought from the government.

Four projects are in advanced stages of implementation. A 60,000 tpa distilled fatty acid plant is expected to be commissioned this month as will be a 4,000 tpa glycerine plant. A 100,000 tpa sulphuric acid facility will be commissioned by the end of June while a project for the production of 15,000 tpa of alpha olefin sulphate will be ready by the end of the month.

All except one of these five detergent intermediate plants will be located at Mandali in Mehasana (Gujarat). Most of the funds needed will be internally generated. Mr Girish Mehta, director of Nirma Management Service, the group's management arm, says: "At present we have no intention of going public. The company will finance the new projects from internal accruals. Maybe a small element will be raised from the capital market, perhaps in the form of debentures."

The group, currently with 9,000 workers in four factories producing 500,000 tpa of detergent, has grown to hold 49 per cent of the Indian market, largely at the expense of Hindustan Lever, a Unilever subsidiary, which now has a 20 per cent share.

Nirma was founded by Mr Karsanbhai Patel, a chemist, who expanded demand through down-market, low-priced products.

Van Ommeren boosts income and revenues

By Our Financial Staff

VAN OMMEREN Ceteco, the Dutch transport and trading group, boosted net profits by more than a third last year to Fl 54.6m ($26m) from Fl 40.4m, on revenues which rose 24 per cent to FL 2.4bn.

The company said its transport division benefited from favourable developments both in the dry cargo and tanker sectors, while income from inland distribution was virtually unchanged.

Overcapacity in north-west European mineral oil storage brought lower results for that business, but Singapore and US facilities fared better.

On the trading side, the company's mainline consumer durables business improved but Van Ommeren acknowledged "disappointing developments" in Middle Eastern meat trading via Australia.

Aegon raises dividend as earnings climb by 15%

By Our Financial Staff

AEGON, last of the big three Dutch insurers to report 1988 results, said net profit last year rose 15.1 per cent to Fl 389m ($195m) from Fl 338m in 1987, and raised its dividend for 1988 from Fl 3.75 a share to Fl 4.70.

The dividend increase from the second largest Dutch insurance group far exceeded the Fl 4 payout widely expected by analysts, and reflected good prospects this year. "In short, Aegon put an outstanding year behind it in 1988 and expects the same (strength) in 1989," the company said.

Earnings per share rose 13.2 per cent to Fl 10.57 from Fl 9.33 on a larger number of shares outstanding.

Aegon derives just under half its worldwide revenues from outside the Netherlands. But it was the Dutch operations that paced the company's worldwide earnings and revenue gains last year, the insurer said.

Increases were spread out through most of the Netherlands insurance businesses, most notably the motor lines, which, as with other insurers, were highly unprofitable in recent years because of surging claims in high crime cities such as Amsterdam.

Worldwide, Aegon's life assurance lines generated Fl 3.59bn of premium receipts, 18 per cent more than a year earlier. Operating earnings in this sector rose nearly 10 per cent to Fl 458m.

Combined non-life businesses posted a revenue gain of 14 per cent to Fl 2.88bn.

Aegon's 1988 financial performance compares with Nationale-Nederlanden's profit rise of 12 per cent and Amev's 5.3 per cent net earnings decline after big one-time gains in 1987.

Japan agrees rules for trade in bond options

By Michiyo Nakamoto in Tokyo

JAPANESE securities firms and banks have agreed rules for over-the-counter trading in bond options, and the Ministry of Finance is expected to allow dealings in the instruments to begin at the end of the month.

It will cover Japanese government, state-guaranteed and municipal bonds as well as yen-denominated foreign bonds and foreign currency bonds.

The minimum will be set at Y100m face value and the premium will be paid within in four days. The option is to be exercised within a year. The move is expected to make investment in the underlying bonds more attractive by offering hedging possibilities.

Stena Line's off-season six-month losses dip

By Sara Webb in Stockholm

STENA LINE, the Swedish passenger ferry company, showed a loss of SKr16.3m ($2.5m) after financial items for its off-season six months to February against a loss of SKr17.8m in the comparable period a year ago.

However, the company expects full-year profits to reach SKr240m as increased capacity during the peak season should help to boost earnings. Full-year profit for 1987-88 totalled SKr212m after financial items.

Group turnover was SKr1.25bn, an increase of 26 per cent on the previous year, with the travel and freight business accounting for SKr1.21bn of this figure.

Stena Line, which is quoted on the Stockholm Stock Exchange, is controlled by the family-owned Stena group, which last month announced that it had acquired an 8.17 per cent stake in Bermuda-based Sea Containers.

The company said the first six months had been saddled with non-recurring costs resulting from the acquisition of a Canadian ferry business.

Stena Line started off operating routes in the Nordic region, but has decided to expand internationally.

The Canadian acquisition last October was followed by an announcement recently that it wants to buy Stoomvaart Maatschappij Zeeland, a Dutch ferry company, for about SKr350m.

Pohjolä rise prompts rare higher payout

By Olli Virtanen in Helsinki

POHJOLA, Finland's leading insurance group, made consolidated net income, after transfer to equalisation reserves and taxes, of FM174m ($38.6m) in 1988, up from FM118m.

It reported a record non-life result of FM377m, up from FM272m. Pohjolä's premium income of non-life insurance rose 19 per cent to FM2.8bn.

Earnings per share amounted to FM4.28 while the corresponding figure in 1987 was FM3.47. Pohjolä proposes a rare increase in its dividend to FM1 from a long-standing FM0.90.

Direct insurance had a total premium revenue of FM2.3bn, up from FM1.9bn in 1987.

LEGAL COLUMN

Impact of contingency fees 'has been overstated'

By David Churchill

THE INTRODUCTION of contingency fees into the English and Welsh legal system is unlikely to be as dramatic a change as has been forecast, according to Mr Leo Herzel, a Chicago-based partner in Mayer, Brown and Platt.

Mr Herzel, who has extensive experience of contingency fees in the US, gave his view in London last week at a seminar on the green papers for reform of the legal profession.

He said: "On the face of it, the proposal is not nearly as dramatic a change as has been made out in public comments."

The contingency fee system as outlined in the green papers earlier this year "is an arrangement whereby a lawyer agrees he will accept his client's case on the basis that he receives no payment if the case is lost, but that if it is won he will be paid some percentage share of the award made by the court."

Mr Herzel said that the so-called "English rule" – that the loser in litigation must pay his opponent's lawyers' fees – "would probably be a tremendous dampener on the use of contingency fees."

However, he also suggested that the changes proposed by the Lord Chancellor might be more significant than they at first appear.

He said: "There may be implications in them of a rejection of the past and of more radical changes yet to come."

According to Mr Herzel, contingent fee arrangements are the most important factor in the substantial level of litigation in the US and the large awards made. "They dominate personal injury litigation and are also an important factor in other speculative civil litigation."

Mr Herzel also gave his opinion – from an American perspective – on the reasons for the overhaul of the profession being considered by the Government.

'On the face of it, the proposal is not nearly as dramatic a change as has been made out in public comments

A key reason, he suggested, was that large London solicitors' firms would like to expand internationally. "To compete better internationally, they would also like to do trial work, as their US competitors do. Thus they are ready to give up something in exchange."

He believed that "small firms will clearly have to make concessions, anyway, with regard to conveyancing, so they don't have much to lose – and may gain – from the changes."

He also suggested that many barristers did not get as much out of the system as they once did. "For example, some barristers probably cannot afford to become judges and many barristers would probably like the chance to compete in a free market for clients."

Another reason advanced by Mr Herzel for favouring change was that important corporate clients of law firms were probably against the present system. "They have in-house lawyers who would like to choose their own trial lawyers and, in some cases, do their own trial work. Experience with American firms shows them how easy that is," he said.

British voters also had a vested interest in change. "They don't get much out of the present system and would welcome more American style litigation."

Furthermore, he suggested, the public disliked lawyers in general "so any change that appears to make lawyers uncomfortable would be considered good!"

Yet, even so, Mr Herzel concluded that the proposed changes were not as radical as they appeared. "The English rules on costs, no class actions, damages set by judges not juries and the very limited concession to contingency fees still leaves England with a very conservative legal structure compared to the US."

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PARIS is the destination for the City firm of Watson, Farley, and Williams, which is planning to open an office in the French capital in June. Lawyers at the new office, situated in Paris's busy commercial centre near the Champs Elysee, will primarily offer banking and shipping law services to both French and international clients.

The office will be headed by Mr Nigel Moss, who is at present working for a bank in Paris. Two further lawyers will be recruited from the firm's London office.

Watson, Farley and Williams already has practices in Greece and Norway and has plans to expand the Paris office once it has been established.

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MEANWHILE, Lovell White Durrant (which claims to be Europe's second largest firm of lawyers) is developing its links with the Soviet Union. The firm is taking exhibition space and putting on a seminar in Moscow as part of the British-Soviet month now taking place.

Mr Quentin Archer from Lovell White Durrant said: "Our seminar will show that help is available from experienced professionals for both importers and exporters in tackling the mechanics of trade with the Soviet Union."

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THE STRONG growth of franchising as a business development system throughout Europe has led a group of independent lawyers in European Community countries to form an association to tackle European franchising issues, especially after the unified market in 1992.

The Adlers European Franchise Lawyers Group has been formed on the initiative of Mr Martin Mendelsohn, senior partner of the City firm of Adlers.

The setting up of the group follows new EC rules which enable franchisors to obtain exemption from EC competition law.

The group is aimed at helping franchisors in any of the EC countries to expand into other parts of the EC and to assist franchisors from outside the EC – especially those in the US, Canada, and Japan – to enter Europe.

"The group will offer an informed source of advice and local knowledge within the EC on a cost-effective basis," Mr Mendelsohn said.

"Through the interchange of information between members it will be possible to take the franchisor into each new country in turn without expensive and time-consuming repetitive legal work."

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SIX out of every 10 junior barristers would consider joining a firm of solicitors as advocates or trial lawyers, according to a survey of London barristers.

The survey, carried out by City solicitors Barlow Lyde and Gilbert, found that junior barristers would consider this only as a "last resort" if the changes proposed in the Green Papers are implemented.

The key criteria chosen by barristers for selecting a firm of solicitors, according to the survey, was the type and quality of work available. Remuneration and "prospects", however, was seen as the second most important factor.

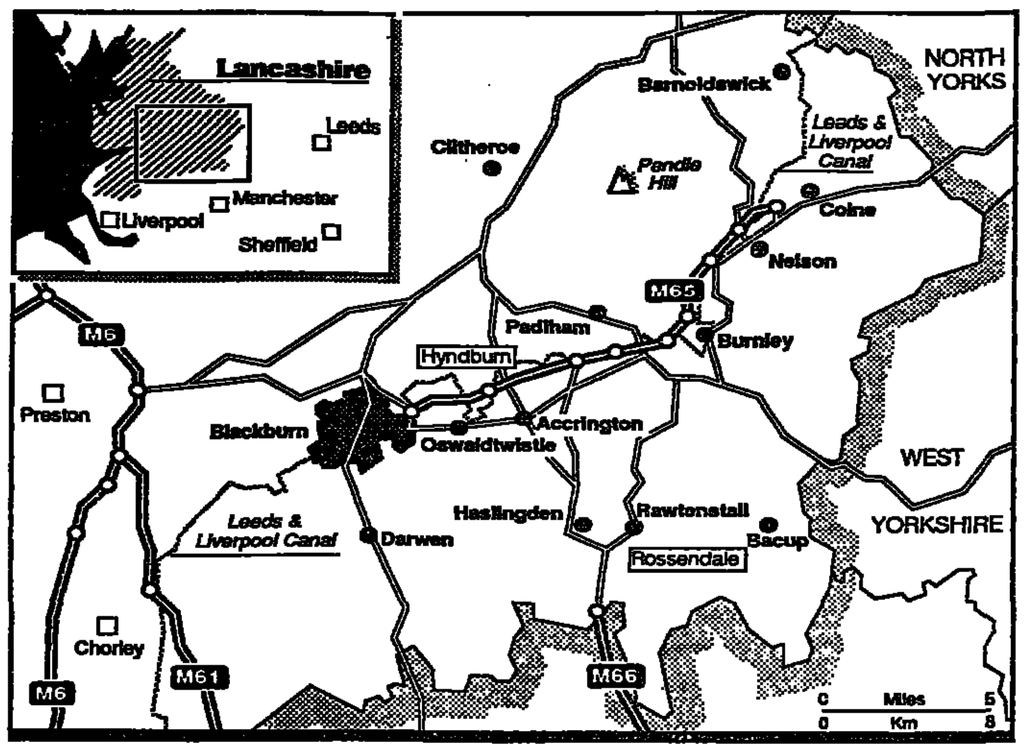
Not surprisingly, some 85 per cent of the 37 chambers who took part in the survey believed that an independent civil bar as presently constructed would cease to exist if the Green Paper proposal to take away the barristers' monopoly becomes law.

LEGAL APPOINTMENTS

FINANCIAL TIMES
SURVEY

The industrial towns of North East Lancashire have a proud tradition of independence. But the big question now for the area's future is how its strengths can be manipulated so as to underpin a vital, modern manufacturing base, as Hazel Duffy reports here.

North East Lancashire



■ Above: Wycoller, near Colne; and pictured top left, the Town Hall at Burnley.

Further signs of recovery

NORTH EAST Lancashire, in common with most of Britain's industrial areas, is starting to benefit from the growth in the national economy.

The unemployment rate is well down, to around 8 per cent, although nearer 10 per cent among males. Pockets of high unemployment persist, but parts of the area fall below the national average.

The challenge that this part of Lancashire faces is to build an economic structure which will provide well-paid jobs and avoid the adverse consequences in times of reduced activity levels of over-reliance on a few major sectors.

It has also to provide a more attractive environment from the relics of the industrial past, preserving – where appropriate: – and re-building to harmonise with the considerable physical attributes of the area.

This is not a part of the country which has suffered massive dereliction from the 1980s industrial restructuring. Coal mining and heavy engineering had given way to a variety of activities many years ago.

In some respects, the middling status makes the process of renewal and change more difficult. Public resources, whether from Whitehall, or, increasingly, from Brussels, have not been concentrated on this part of the country in the way that the former docks and steel areas, for instance, have demanded.

The main advantage in terms of public support has been the scattered enterprise zones around the area. They have succeeded in focusing property interest on the region, and a slow raising of industrial rents.

The Leeds-Liverpool canal is the focal point for physical renewal, but its very nature means that a lot of change will be needed before it can be seen to be having an impact on the surrounding area as has happened in more concentrated urban areas.

The recovery from the recession of the early 1980s has encouraged the continuation towards a broader spread of industries, and diversification among the survivors in the traditional sectors. A sprinkling of high tech manufacture fans out along the valleys, and the textiles sector has added value to its products. The shoe industry in the Rossendale valley has survived, although there have been new closures recently.

The mix of the old and the new, the indigenous industries and those which have been attracted into the area, large international manufacturers and small entrepeneurial concerns, hold the key to its future prosperity. This remains primarily an industrial sub-region. Efforts to bring in service industries, even tourism, are well-placed but manufacturing will predominate.

Its location determines the importance of industry. It would be unwise to expect that it will become a major destination for the re-location of financial services out of the south east. The beneficiaries there will be the cities and towns which are more easily accessible to London, and those which already have their own core of such services.

So far, the re-location of public sector jobs from Whitehall and its environs has not benefited this part of the north. That may be remedied, although the suspicion is that the most deserving, in the sense of the most deprived, areas of the UK will be picked first by ministers for the transfer of these jobs.

The main centres of personal and professional services in the north of England cannot be expected to congregate in this area. Blackburn, for instance, is not setting out to try and steal the mantle of Manchester, although the Rossendale valley increasingly is coming within the sphere of influence of greater Manchester.

Meanwhile, Preston, on the western borders of the territory, is the commercial as well as the administrative capital of the county of Lancashire.

The area is sometimes strikingly beautiful – in a bleak sort of way. Bare hills are the dramatic backdrop to some of the towns. The planned £300m restoration of the strips of land alongside the canal could provide an element of the waterfront focus which is proving so popular in the rebuilding and restoration of built-up Britain. But tourism prospects will be limited to the short-term stay.

So the future, even in the highly service-oriented UK economy, must be manufacturing. The question for north east Lancashire is the manner in which its strengths can be manipulated so as to underpin a vital, modern manufacturing base.

As the effects of the recession recede, albeit punctuated by problems in some sectors, that question is increasingly pertinent. The sort of future that the area can reasonably envisage will provide the basis for planning now.

To some extent, it is already happening. Good communications are vital. The canal provided them in the past. Motorways and link roads have been built to meet the needs of the present. Rail freight could be the future.

Mr Jim Mason, chairman of Lancashire Enterprises, the economic development wing of the county council, lobbies vigorously for all of the county to gain easy access to the northern freight terminals which British Rail is expected to choose to connect with the Channel Tunnel. For the corridor stretching from Blackburn to Nelson and Colne, it is vital.

The concern of Mr Mason, and others, is that if the north west is denied fast links to the centre of the European Community, it will lose out on the growth which the single European market must bring. For all of the regions which have had to fight hard to grab a share in the wealth of the country, there is this new fear concerning Europe.

In the past, there was an outflow of people from the area to central Lancashire, fuelled by the establishment of the new town.

Continued on page 4

NORTH EAST LANCASHIRE 2

Radical changes in the regional manufacturing base

Industry restructured

ANY EXAMINATION of North-East Lancashire's industrial structure reveals that the traditionally-dominant textile and engineering sectors are now only a part of a diverse economy.

The manufacturing base of the area, as in the rest of Lancashire, has undergone radical re-structuring and although textiles, footwear and engineering have all enjoyed growth over the past four years, no one sector can now be said to dominate an economy which is still based substantially around manufacturing.

Much of the industrial growth has followed grant rather than geographical boundaries. The North-East Lancashire Enterprise Zone, split on seven sites between the authorities of Hyndburn, Rossendale, Burnley and Pendle, has proved a catalyst for growth, as has the yet-incomplete motorway network.

All but three of the area's main industrial estates or enterprise zones have grown up by the present M65 Blackburn-Colne corridor.

Blackburn, lacking an EZ, has, nevertheless, managed to capitalise on its role as a sub-regional centre; a role which is likely to be strengthened when the Blackburn Southern By-pass effectively provides an east-west transport corridor between the M6 and Colne to the east.

The prospect of this motorway link being further extended to Leeds to create a second trans-Pennine route is sufficient to invest the area with an industrial importance in excess of its present capacity.

The area's largest employers are diverse and geographically spread, but there are only a handful of companies with more than 500 on the payroll. Recovery has been a slow and often painful process and the first fruits are only now being seen in the large number of companies expanding to the stage of 100-plus employees.

Royal Ordnance, at Blackburn, and ICI, at Darwen, have weathered reasonably well and today both companies are considering tentative expansion, in ICI's case a new Perspex plant at Chapel's Industrial Park.

Other large companies in the towns include fibre-makers Scapa, Walker Steel, Mullard-Phillips, Thorn-EMI's polymer division and Reed Paper and Board. Earlier this year, Reed announced plans for a £3.6m manufacturing plant on the Shadsworth industrial estate.

Elsewhere in North-East Lancashire, the major employers include Rolls-Royce aero-engines and Silentnight, at Barnoldswick, Fine Arts, the greeting-card producer, at Accrington, Lucas and Michelin, at Burnley, and Coloroll, at Nelson.

However, the lack of a truly-cohesive big business base is perhaps a major reason why North-East Lancashire has no significant service sector; a critical problem which is beginning to impede prospects for future growth.

Although the traditional industries no longer enjoy economic dominance, they remain a vital part of the local economy. Textile operations, particularly around Burnley and Pendle, remain significant and footwear manufacture continues to thrive in Rossendale.

In Burnley and Pendle, over 150 companies are still engaged in textile production, though many have diversified out of the region's traditional weaving operation.

At Colne, Smith & Nephew produce a range of denim and household fabrics, while Dorma, at Burnley, produce curtains and bed-sheets. Peter Reed (Textiles), at Nelson, also make bed-linen. Other large employers in the sector include Dawes & Co, Coats Viyella Fabrics, and William Reed Weaving, at Nelson, and the aptly-named John Cotton, at Colne. Down the A56 from Burnley, J.H. Birtwistle and Enfield Manufacturing, in Rossendale, are both of significance.

Wall-coverings are represented by Crown Wallcoverings, in Blackburn, and Coloroll, in Nelson. Last year, Coloroll paid around £7m for the privately-owned Blackburn wall-coverings manufacturer, Burlington.

In the Rossendale valley, footwear manufacture remains strong and is now employing some 3,500. Companies include: J.H. Hirst, Lambert Howarth & Sons, Ashworth & Hoyle, and the Bacup Shoe Co.

Meanwhile, engineering, though a declining percentage of overall production, still employes thousands. In addition to Rolls-Royce, British Aerospace has a giant plant straddling the Blackburn-Ribble border at Samlesbury.

Throughout the area, literally dozens of companies remain engineering-based, though in Accrington the old textile-related engineering firms are finding growth difficult. One of the largest companies in textile engineering is Platt Saco Lowell, in Accrington.

Paper and printing, headed by Reed, is of growing importance. Fine Arts is currently building a new £10m mail order facility at Oswaldtwistle. This Bradford-based company is becoming an increasingly significant player in the North East Lancashire economy.

Building products are represented by Accrington Brick; UPVC window and doors system manufacturer, Vekaplast – whose UK headquarters have been established at Burnley – and selant producers Nor-Vest UK, at Altham.

One of the most interesting sectors is furniture and associated products where the number of companies is increasing steadily. G-Plan, Alan Cooper at Todmorden and Senator International at Accrington are all operating in an expanding market.

Dauphin International at Blackburn is one of a number of seating companies based in an area which still retains traditional upholstery skills.

Other companies of more than passing significance to the area include the European production headquarters of the US medical products group, Medex, at Haslingdon; National Carpets, up the road at Bacup; and George Wilkinson (Burnley), whose two factories produce the Progress range of kitchenware.

In computers and electronics, the few significant employers have tended to concentrate around Blackburn. Companies operating in this sector include: TDS Circuits and Terminal Display Systems, Phillips and BEC System Services, all at Blackburn.

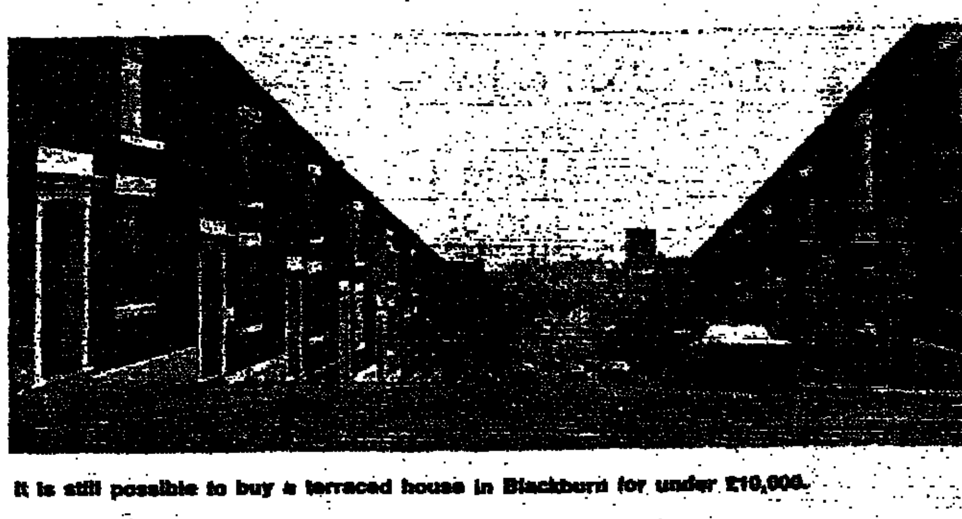
At present, the area's heavy manufacturing bias marks it out from the rest of Lancashire, but without the necessary structure to service manufacturers, industry has become intrinsically linked with service centres such as Preston and Manchester.

Socially and politically, North East Lancashire is a sub-region with its own individuality, but its industry has lost much of its past autonomy and increasingly therefore must be regarded as only a part of the jigsaw which makes up the industrial and economic structure of the whole of Lancashire.

Martin Regan

Political and social issues

No place for safe-seaters



It is still possible to buy a terraced house in Blackburn for under £10,000.

NO OTHER area of Britain combines such a heavy bias towards manufacturing employment with exceptionally high home ownership and Conservative voting habits. As if to rub in the individuality, one of the three Tory Parliamentary seats elects a Liberal borough council whose leader will have no truck with the Democrats and another is solidly Labour at local level.

North East Lancashire is not a place for safe-seaters. While the two southern-born Labour members (Peter Pike, Burnley, and Jack Straw, Blackburn) enjoy adequate majorities, the Tories, all North-westerners, count less than 10,000 votes between them.

Ken Hargreaves, who won Hyndburn by just 20 seats in 1983, saw his majority rise to 2,200 in 1987. John Lee, Pendle, the Tourism Minister, is helped to retain his seat by a three-party fight which squeezes the centre grouping. David Trippier's control of Rossendale and Darwen, at almost 5,000 votes, is the most comfortable of the three. Rossendale has proved a rewarding test-bed for small firms.

The social map of North East Lancashire shows a relatively small professional and managerial grouping, compared with a strong middle band of skilled workers and the self-employed. There are proportionately few members of the unskilled working classes, but a relatively high immigrant population.

In terms of community, the area is a federation of activities. It is quite usual for someone to live in Pendle, work in Hyndburn and shop in Burnley. Communications are now such that each town is only a few minutes' drive from the other. However, parochial interests are jealously guarded.

Put any two or three local residents together and convention has it that "what is good for Hyndburn is good for Blackburn or Burnley." But then, many remember the disbandment of NELDA, the North East Lancashire Development Association, after Rossendale and Blackburn pulled out. And now there is the imminent demise of its successor at Burnley and Pendle.

"You do realise, of course, that the Liberals control Pendle" – that is always the starting point from Labour-run Burnley's side. Tony Greaves, Pendle's unreconstituted Liberal group leader, is better known for his national opposition to merger with the SLD. However, he insists that he is not a separatist. There are, he says, compelling financial reasons for Pendle to go it alone.

The borough's dilemma is that it receives very little aid from government sources. It has lost intermediate assistance status, which also means that European project funding is drawing to an end. It does not qualify for urban programme aid. The only continuing funding is derelict land grant. So the annual £60,000 contribution to the development association is, the group believes, better deployed pump-priming local initiatives.

If Mr Greaves sounds slightly miffed about this, it is because Pendle's urban core – the ribbon development of Brierfield, Nelson and Colne – has as many problems as anywhere in the area. Statistically, this is balanced by the rural part of the borough, fine Pennine country leading to the border with West Yorkshire. Just to the north, the Ribble Valley is among the most affluent districts in the region.

Pendle has the possibility of releasing land for commuter housing, now that Manchester is only 45 minutes down the road. It is an option which North East Lancashire as a whole treats with mixed feelings. A leavening of commuters and their families bolsters the local economy – but it could also mean sacrificing attractive open land. It changes the make-up of communities, and bypasses the residual problem – low-value terraced dwellings whose owners are caught in a repairs trap.

It is possible to buy a terrace house in Pendle or Blackburn for under £10,000. But the cost of improvement – putting in basics such as bathroom and kitchen – is more than the added value this gives to the house on resale. Owner-occupation – 80 per cent in the area – is thus a mixed blessing, particularly with the community charge in the offing. John Lee admits that this tax, in an historically low-rated area, could make his seat even more vulnerable at the next election.

Mr Lee is also worried about the growing Asian population of Pendle – worried in the sense that their vote usually goes to Labour. The Asian community in North East Lancashire has unacceptably high levels of unemployment.

On the housing front, Blackburn's problem is not confined to low-value terraces. The borough has no homelessness as such, rather a surplus of council housing in its 24,000-unit stock. But some 10,000 of these are in poor repair and 5,000 almost unfit for habitation.

At the other end of the spectrum, favoured locations have seen houses double in value in 12 months and prices are still rising. Even so, modern family detached houses can be found for about £60,000, and £45,000 buys a solid three-bed semi.

With the average mortgage under £20,000 and wage levels around the regional norm, authorities like Burnley claim that a majority of residents can afford to enjoy life.

Continued stability in a community just beginning to have confidence in itself depends on economic progress. Each area is forging its own individual approach: Burnley is saying to South East firms: "Come and share our way of life"; Blackburn puts itself forward as a skilled, sub-contractor; Hyndburn is searching for complementary European companies; Pendle prefers to look after its own.

Ken Hargreaves' ability to convert a miniscule Parliamentary majority in Hyndburn to something a little more respectable at the last general election, is ascribed locally not to the success of Mrs Thatcher but to the effectiveness of Mr Hargreaves as a constituency MP. People are respected more for their commitment than for their affiliations. That is what makes North East Lancashire invaluable in the Britain of 1989.

Robert Waterhouse

Traditional industries

Footwear and textile sectors still resilient

IN A four-year period culminating in 1983, the manufacturing heart was ripped out of North-East Lancashire. The collapse of sterling, falling consumer spending and cheap foreign imports combined to wreak havoc on local industries.

Textiles and footwear manufacture, structurally weak and labour intensive, were particularly hard-hit. At one point, a textile mill was closing every fortnight and the fiercely independent shoe industry based around the Rossendale valley was losing a factory every month. Auxilliary engineering for the textile industry, a major employer around Accrington, virtually collapsed as the mills went out of business. Throughout the area, unemployment rates touched 19 per cent.

Today, 10 years on, both industries have proved resilient. Unemployment in the Rossendale valley is down to 6.35 per cent, while in the textile heartlands of Burnley and Pendle it stands below nine per cent.

The Lancashire footwear industry, originally created as an adjunct to local textiles, now comprises over 200 companies, many of them based within the Rossendale valley. The industry is an important centre of supply to the UK retail footwear market, mainly in ladies' fashion shoes and slippers.

It is an industry with much of the independent spirit that sets North-East Lancashire apart from the rest of the county. Local employers have shunned national trade federations, instead forming their own – the Northern Footwear Employers, which negotiates directly with the area's own trade union, the Rossendale Union of Boot, Shoe and Slipper Operatives.

Within the valley, union and managment relations have been sufficient to allow the necessary re-structuring to take place with relative ease. The industry in the valley is currently half-way through a two-year pay deal worth a total of eight per cent. As regional pay bargaining is placed on the political agenda, the Rossendale example may assume greater significance.

In Rossendale, the footwear industry has survived without any of the massive capital investment and diversification seen in the textile industry. The larger companies in the valley have invested – but in order to overcome particular problems, rather than as a means of combating industry-wide defects.

An important advance in production has been the introduction of water-jet cutting methods. But only J.H. Hirst are believed to have the technology. Similarly, computer-aided design and manufacturing has barely penetrated valley production methods.

What the industry has chosen to address is the problem of inefficient factory space. Many shoe-producers were based in former textile mills which have proved unsuited to modern production. The introduction of the North-East Lancashire enterprise zone provided the necessary impetus for many companies to move into the industrial shed with substantial productivity gains. Better management and tighter financial planning have also made an impact.

The slack created as a result of factory closures has been taken up by smaller producers, employing dozens rather than hundreds of workers. These companies have a tendency to set-up to meet specific demand, operate for a few years and then go out of business when the market changes. It has created a local economy of considerable flux.

Footwear, with some 3,500 employees, two-thirds of them female, remains the main employer in the valley but the hard-won recovery is far from complete. Changes in stock-holding methods and the abandonment of a buy-British policy by major retailers is bringing worrying echoes of the past. There is also growing concern over the strength of sterling.

In the last year, three factories have closed their doors for the last time, the latest went into receivership last month with the loss of 160 jobs. Many of these workers will find employment with the smaller companies but if the closures are accelerated, a significant rise in the unemployment level in the valley will follow.

Mr Stephen Jury, managing director of Ashworth & Hoyle, says the industry is now more cautious than at any time in the past five years.

"Basically, we are all waiting to see which way the British Shoe Corporation and major retailers jump in terms of buying and stock policy."

Resurrecting the economy of Rossendale has required more than a blind faith in the ability of the shoe industry to return to an even keel. In 1981, David Trippier enthused by the first Enterprise Trust at St Helens, urged the creation of the second in Rossendale. The Trust has provided an energetic leadership in attracting new industry into the valley.

The trust director, Mr Ken Hornby, estimates that since formation, the trust has helped create 600 new businesses, employing some 2,000 people. Many of these start-ups have been by former textile or shoe industry employees and have done much to create a local industrial structure which no longer relies totally on footwear.

"It is quite possible that many of these firms would have done just as well without us but figures suggest that the failure rate among start-ups is lower when they've had proper advice," he said.

The boom in start-ups now appears to be over and much of the Trust's present work-load involves dealing with applications for expansion-related grants.

However, the Trust faces a future more uncertain than the industries it was created to help. There is growing concern over the gradual reduction of Government funding and the need to rely on sponsorship from a private sector which, post-recession, is unlikely to see the Trust as a priority.

"Each year, we raise about £17,500 from sponsorship and, to be frank, I don't think that can be increased. We are hoping to get more funding through involvement in bodies like the TECs, but it won't be enough," says Mr Hornby.

For textiles, centred in Burnley and Pendle but with important outposts in Blackburn and Hyndburn, the concerns are different though of similar gravity. Cheap imports from the Pacific Basin combined with high interest rates and a strong pound, are giving the industry jitters. Although Lancashire spinning appears to be vulnerable, North-East Lancashire weaving seems more secure.

The salient trend has been increased productivity capitalising on new machinery, particularly projectile-weaving, which has increased production speed, in some cases, by a factor of five. There has also been a substantial change in the overall strategy of the industry. Companies have moved into niche markets, producing quality fabrics for specific end-uses.

Most of the investment in weaving has been directed at household textiles, Coats Viyella have steadily invested in Dorma, their branded household operation at Burnley, while Peter Reed (Textiles) at Nelson, have set-out stall at the top end of the market, producing quality bed-linen and wide-width industrial cloth.

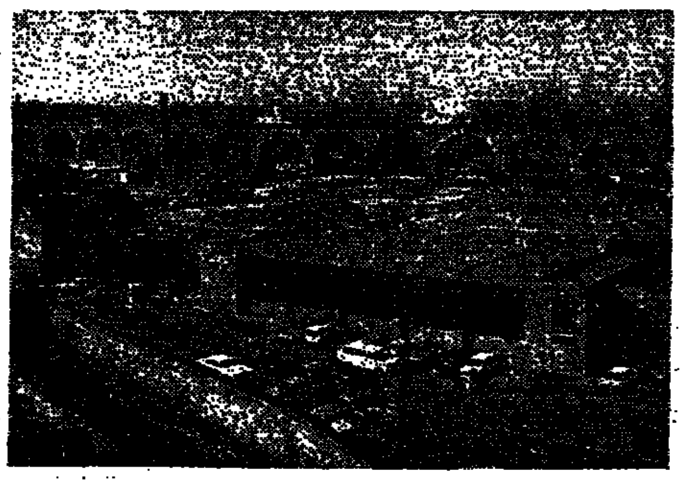
New markets in geo-textiles and the automotive industry have also been exploited. John Cotton, of Colne, has moved from supplying felts for carpets into the production of insulation components for the car industry, weathering both the recession and the rise of latex-backed carpets.

For Accrington's textile engineering sector, the opportunity for diversification has not been present and the recession finished what had been a long period of decline. Only a handful of companies now operate in this sector, the majority on a much-reduced scale.

The size of the industry in North-East Lancashire, as opposed to Lancashire, is difficult to gauge; the Manchester-based British Textile Employers' Association suggests that around 12,000 to 15,000 are directly employed in textiles in the area.

This, still less than half the 1980 figure, is likely to remain stable, though short-time working in response to specific problems is probable in the coming months.

Martin Regan



Above: view across an industrial section of Burnley; and below, office furniture systems being made at Alan Cooper's factory at Burnley Road, Todmorden. The company is seeing buoyant demand across its expanding product range.

BLACKBURN

A new image emerges

WHEN British Telecom chose to illustrate the Blackburn telephone directory with a picture of a textile mill it faced the combined wrath of the borough council, the chamber of commerce and local industrialists. To many, such a reaction may seem over-sensitive, but within Blackburn the struggle to escape the image of the past has become a key theme of its economic future.

Blackburn, population 110,000, has made considerable progress in re-structuring a manufacturing base which, in the past, has been dependent on the duopoly of textiles and engineering.

Today, less than five per cent of the working population is employed by the textile industry, compared with 70 per cent in the 1930s, and the traditional engineering industries, dismantled in the recession of the early 80s, has been replaced by a diverse manufacturing base. The town has achieved an underlying growth which has taken unemployment from a high point of 15.9 per cent in 1985 to its present level of 8.7 per cent.

The more affluent satellite of Darwen, population 30,000, though still economically-dependent upon ICI's acrylics division, has also seen major changes in its manufacturing base.

The catalyst for growth since 1985 has been the formal partnership betwen the town's Labour-controlled council and the Chamber of Commerce. Through a range of grant-aided initiatives, an Enterprise Trust, a Technology Centre and a network of business advice centres, the partnership has created an indigenous small business infrastructure of surprising resilience.

These smaller companies are now beginning to expand. Bridal-wear makers, Cupid, and spectacle-producers, Crown Eyeglass, have both arrived on the Third Market and a brace of other companies offer similar growth prospects.

The entrepreneurial spirit has also penetrated the cultural barriers of Blackburn's large Asian minority. This community, still active in textiles, has responded cautiously to initiatives aimed at business integration. Asians account for some 14 per cent of the population, but among young Asian males, uneployment remains stubbornly above 40 per cent.

The BIC-sponsored Blackburn Partnership has been particularly involved in this work, most notably through the Asian Woman's Enterprise Initiative, a scheme funded via the Regional Enterprise Unit and the Co-operative Bank, which will create a meeting place for Asian women who wish to become active in business.

Other projects promoted by the partnership have tended to lack ambition. Almost a year after the partnership was launched by Prince Charles, expectations are being downgraded.

Jim McKinstry, director of the Chamber of Commerce, says the partnership has yet to make any significant impact.

"We fought hard to get BIC and we are glad we have it but not one of the 300 companies in the organisation has so far invested directly in Blackburn," he explained.

Industrial growth has been based in existing building stock. Both Blackburn and Darwen have intermediate-area Assisted Area Status, though the lack of an Enterprise Zone has placed the area at some disadvantage.

The main industrial estates are now saturated and the council is creating a new business park at Greenbank, supported by UDG. Over 200 acres of land are available for new industrial development.

The economy remains firmly manufacturing-based, with service industries accounting for just 15 per cent of total industry, excluding retail. The structure is reflected in the socio-economic groupings in the towns. Less than 12 per cent of the workforce is classified as professional or managerial. It is a problem affecting most of North-East Lancashire.

Dennis Artess, assistant chief executive (economic development) admits that the resulting lack of economic balance is a major concern.

"Our biggest success has been diversification, but we need more service industries. We are determined never to be in a position of dependence upon one industry again," he said.

It is a view shared by Jim McKinstry, who adds: "If there is a down-turn we catch a cold very quickly. We are looking for better balance."

Re-development of Blackburn's blighted former industrial sites has been linked with the tourism potential of the Leeds-Liverpool Canal. A £30m PROBE project for a 40-acre site will bring a new ice-rink and an executive housing scheme to the town centre, while the Eanam Wharf scheme, the conversion of a canal-side warehouse into sheltered business units, will soon be followed by a similar development on the opposite bank.

However, the outlook for tourism is unclear, Blackburn has so far failed to emerge with any scheme which has the imagination of Hyndburn's Huncoat theme park plan.

The town is also faced with the problem of an inadequate road network, both within the town itself and in its lack of motorway standard links with the North-West's arterial road network. The Blackburn Southern Bypass, consultations for which start in May, will link the M65 and M6, effectively plugging Blackburn into the North-West's motorway network.

The more fundamental problem of town centre access requires an inner relief road, a project which is low on the Department of Transport's list of priorities.

Mr Don Lomax, a senior partner with a local firm of quantity surveyors, believes that without the relief road even the benefit of the motorway link may be lost.

"We must be the only town in the country where the roads get narrower as you approach the town centre," he said.

As Blackburn and Darwen look towards 1992, the lack of both a first-class road network and a significant service industry may become a critical weakness, but the growth of new manufacturing in a town which has needed to create a new industrial base with minimal inward investment must give rise to at least tentative optimism.

Martin Regan

Blackburn: In need of more service industries.

Innovation at Hyndburn

Rising level of private investment

FIFTEEN years ago, when the Borough of Hyndburn was created by local government re-organisation, the people of Accrington responded half-heartedly to reformist ideas of tree-planting in their bleak industrial landscape. Today, the talk is of a theme park with cable cars leading to ski and toboggan runs in the nearby hills.

Hyndburn is still, in the words of its director of planning and economic development, Mr David Sutcliffe, "an appalling environment in many respects." But it has begun to improve and more importantly, perhaps, attitudes have changed. Industry and employment are no longer associated with ingrained grime.

The Industrial Revolution which blackened millstone terraces (Accrington brick tends to be exported) may one day be relegated to the category of formative experiences. After all, the town's name refers to the oak forests which characterised North East Lancashire in medieval times. So the notion of planting urban forests as wind-break cash crops on derelict land is not altogether fanciful. The first such scheme is already under way in Oswaldtwistle.

Hyndburn is nothing if not innovative. Some years ago, the council surveyed shopping habits in the borough and was surprised to find that 30 per cent of the population were employed in the retail sector. With its lively street and covered markets, Accrington was a favourite place for convenience shopping.

But the sector was declining. So Hyndburn set about assembling a relatively modest 100,000 sq ft modern shopping centre, abutting the market area. Its aim was to reinforce existing trade.

The council managed to talk Town & City Properties into building the scheme, which includes a 600-space shoppers' car park, free in perpetuity, while retaining ownership of the land. The scheme took ten years to achieve, but has already boosted trade in Accrington town centre.

Then the council had an industrial development problem. It owned land separated from the main Burnley road by a cemetery. Not surprisingly, nobody seemed keen to move there.

Using 50 per cent EC funding, Hyndburn built a new access road, then started things off with 10,000 sq ft of advance factory units. Second and third stages involved guarantees to developers, but the fourth is being financed without council commitment.

Overall, Hyndburn claims to have one of the highest levels of private sector investment in the area – some £25m this year – and more new industrial floorspace than either Blackburn or Burnley. One reason could be its central location which provides three gateways to the motorway system.

On land bounded by the major highways, the borough is promoting its theme park.

The former Huncoat Power Station site has been acquired by Mr Eddie Quiligotti, whose Stockport-based firm manufactures terrazzo and marble flooring. Mr Quiligotti is hoping to raise £200m to convert the 330-acre site into a year-round leisure centre where an anticipated 4m annual visitors can forget the raw Lancashire weather in a variety of controlled-climate activities, based on winter sports.

Hyndburn's spur, apart from the publicity and image-building, is the thought of 2,000 full-time jobs. But the borough has other plans for the 1990s. It is looking at and talking with a broadly similar area of Northern France hoping to cement a reciprocal trade agreement which goes well beyond the usual friendship links.

The idea is to target companies manufacturing complementary products. For instance, a Hyndburn packaging specialist would perhaps look for a firm making wrapping paper. Both then have the chance of marketing the others' products under licence.

Meantime, also with 1992 in mind, Hyndburn is in the process of re-organising its officer structure along the lines of a private limited company, with the chief executive as managing director controlling four service branches of the authority. One of is Marketing and Property, and it just so happens that Mr David Sutcliffe was recently awarded a marketing diploma. This particular Labour-controlled borough has no intention of losing-out to competitive tendering.

Robert Waterhouse

Burnley is 'optimistic about the future'

Adapting skilfully to change

BURNLEY was twice singled out recently for unfavourable comment on its quality of life by a national newspaper. In both instances, the newspaper used the same photograph of a sign advertising a business shutting down. It supposedly symbolised the town – but the captions failed to say that the business was, in fact, moving to bigger and better premises.

"I think just about everybody in my department wrote to the newspaper concerned," says Mr Andrew Walker, Burnley's planning officer. Yet the reaction was more in sorrow than anger, however. Burnley, doing well enough these days not to be dented by a little adverse publicity, sounds ever so slightly surprised that few outside have noticed.

It is a tantalisingly tough place to 'read.' There is little of the urban bustle usually associated with success. Yet things are not dead, either. The town centre has the understated feel of a population at home with itself.

Those looking for squalor could leave disappointed. Burnley just qualifies for urban programme aid as 57th entry on the national deprivation list. Its close neighbour, Pendle (Nelson & Colne) is 58th, and fails to qualify.

But it would be unfair to say that, self-contained though it seems, Burnley has not sold its wares to the world. The Burnley & Pendle Development Association faces imminent disbandment partly because Pendle, which is pulling out, has no more serviced sites to offer incoming businesses. In its brief three-year existence, the association has attracted 14 companies to the area – mainly from the South East – with a target of 760 jobs by next year at £460 per job.

Employment, not unemployment, is the talking point. The whole of North East Lancashire reports a gently-declining unemployment rate, between 8.7 and 7.8 per cent of the labour force, with males around ten per cent. Burnley claims that it still has the skills, the sites and the low cost base to make inward investment a snip. The town is, it says, in the process of inverting the North-South divide.

The Burnley area has a quality all its own, but is a tantalisingly tough place to 'read'. The town centre has the understated feel of a population at home with itself – an official view is that 'things are buoyant'

Because costs are low – industrial land is perhaps one tenth of the South East price and houses sell for less than half – businesses can be profitable while paying employees at a rate which allows them to enjoy life in an envigorating Pennine environment, rather than simply 'exist.' Productivity and job satisfaction thrive.

It is a fine balance. Critics point to the area's heavy dependance on manufacturing industry, which makes it vulnerable both in recession and in times of growth like today. But the local labour force has shown adaptability, and skill shortages are not, yet, a hindrance to progress. Local colleges are co-ordinating all-important training programmes.

Adaptability, too, was needed in the face of Burnley Building Society's merger into the National & Provincial, which preferred Bradford for its headquarters. Burnley's consequent loss of clerical jobs has been compensated by the recruitment of Endsleigh Insurance Services's regional operation.

BBS's old banking hall has become the place where you pay your rates, and council departments are housed in the unusual luxury of former building society entertainment suites.

The council is in heavy negotiation with County & District over refurbishment of the town's shopping centre, built in the late 1960s and showing its age. Demand from tenants is good at the moment, however, and the council's reluctance to relinquish its freehold has led to a temporary impasse.

Unlike Pendle, Burnley does have a reserve of land suitable for industrial development – a 40-acre site close to the motorway. This will take care of foreseeable expansion, along with vacant mills where floorspace is available from 50p per sq ft.

The development association is likely to survive as a wing of Burnley council's activities. Its acting manager, Ms Jill Stubbs, believes that momentum must be maintained and that her organisation can ensure its relative autonomy by continuing to provide industry with a direct and enthusiastic service.

"We are optimistic about the future," says Mr Walker. "The area has a real quality of its own. All the evidence shows that things are very buoyant. The private sector will continue to invest in Burnley. There are black spots, of course, but the town has the ability to sort them out."

Robert Waterhouse

Further signs of recovery

Continued from page 4

"Now our worry is that there will be another flood of people out unless we can provide first class communications with the Channel Tunnel," says Mr Mason.

The industrialists who formed the Trans-Pennine group rightly recognise that it must be tackled on a regional scale. Reducing the arguments to the squabbling of local authorities would confuse and divide.

The towns of north east Lancashire have a proud tradition of independence. Sometimes this has been to their benefit. Unfortunately, the combined effort in the form of the development association was short-lived when the area would probably have gained from a greater concentration of resources than the individual authorities can give.

A certain sort of independence, allied with a co-operative effort between local authorities, local businessmen, and various agencies, is increasingly combining to give the area a sense of purpose.

It can be seen in the response of the area to the changing demands of industry. Mr David Trippier, MP for Rossendale and Darwen, continues to champion the entrepeneurial efforts of his constituents which inspired his efforts when he was minister for small firms.

"We have been dubbed the valley of enterprise," he says about Rossendale. It is partly about start-ups, but also making more sophisticated the means of marketing and production. He cites the business innovation centre, the enterprise trust, Groundwork, Lancashire Enterprises as all contributing to the process of "lifting the valley up by its bootstraps".

It can also be seen in the determination of a local couple to provide a small, comfortable hotel in Haslingden, and the volunteers who have prepared the canal toll house at Burnley as a museum.

In Burnley, and Blackburn, design and advanced manufacturing centres have been set up to spur on the textile industry. The joint efforts of Blackburn Council and the Chamber of Commerce to push the development of the town are particularly noteworthy.

But the partnership led by Business in the Community has been slow to show any results. The problem with such efforts is often an excess of expectations from local people, anxious for change in the environment, over the sort of impact that can be reasonably expected from such associations. The partnership is now preparing the basis for action on a variety of economic and physical renewal programmes. The outcome will be eagerly awaited.

North east Lancashire is not wholly homogeneous. It is influenced by, and it influences, the towns and cities all around. But it does have certain special ties with the towns within, and the surrounding countryside. And within this unity, there is a diverse and flexible outlook which will determine the future that it deserves.

Regional transport links strengthened

Joining the mainstream

AT THE Lancashire county border, north of Ramsbottom, the M66 links into the motorway-standard A56, beside a bank of spring flowers. What serves Manchester as a useful feeder route is the lifeline of North East Lancashire. It is the connection with the national motorway network, and a powerful internal generator to boot.

In Hyndburn, Burnley and Pendle nobody loses the chance to remind you that Manchester is but 40 minutes away. From being among the most isolated parts of urban England, the towns of North East Lancashire have joined the mainstream.

The Calder Valley Route, the M65 linking M6 with Nelson and Colne, has been 25 years in the making and is not completed yet. Back in the 1960s the local authorities put their joint voices behind a special-case plea. Traffic volumes would never be enormous; on the map this road seemed to go nowhere. But without it the towns faced an uncertain future.

In the fullness of time the M65 began to arrive, stage by stage. The way it has been built means that Blackburn, the big brother, finds itself slightly out on a limb. That will be rectified with the final 15-mile stretch of motorway serving as Blackburn's southern bypass and linking with the M6, near Bamber Bridge.

Construction of the £69.5m dual carriageway is scheduled to begin within a 12-month period from March 1991. Public consultation on the preferred line takes place later this year. Blackburn Borough Council report that interest in their 120-acre Shadsworth Industrial Estate site, which sits beside an exit on the proposed route, has blossomed since the motorway joined the firm programme last April. Shadsworth offers potential as a distribution base to counter the area's heavy dependance on manufacturing.

But, with increasing pressure on Britain's motorways, the M65 is unlikely to stop at Colne. A protected line to the West Yorkshire border close to the A6068 conveniently links with the Aire Valley route north of Keighley. Observers such as Mr Richard Kirby, Pendle's corporate planning officer, foresee an alternative transpennine crossing.

Such a link would put Burnley within 40 minutes of Bradford as well as Manchester, reinforcing a community of interests which industrialists from both sides of the Pennines see as the major strength of the new North. In this context it is notable that daily scheduled train services are running again between Blackpool, Preston, Blackburn, Burnley, Bradford and Leeds via Todmorden.

North East Lancashire is not Inter-City territory. Passengers heading north-south must connect at Preston, though Blackburn has a separate line to Manchester Victoria. British Rail are currently in discussion with Blackburn Borough over modification of Blackburn station, which has far more platform capacity than needed and is conveniently-placed for town centre development.

Strategically, Blackburn has a major rail asset likely to grow in its indoor freight terminal, operated by Gilbraith but linked to the BR system. This is one of three privately-owned depots recently designated by Lancashire County Council for connection to a proposed Channel Tunnel freight clearance terminal at Warrington.

The Blackburn facility, set for a 25,000 sq ft expansion, already handles Continental wagons bringing paper, timber and chipboard, as well as British steel and china clay.

When Blackburn first rose to prominence during the Industrial Revolution, it was the Leeds & Liverpool Canal which brought raw materials and shipped away the finished goods. After years of decay, the canal is again beginning to play a part in the area's commercial fortunes. As a navigable waterway for pleasure craft, the canal takes a highly instructive route up the Calder Valley, passing through the centres of Blackburn, Accrington, Burnley, Nelson and Barnoldswick before it crosses the watershed to Skipton.

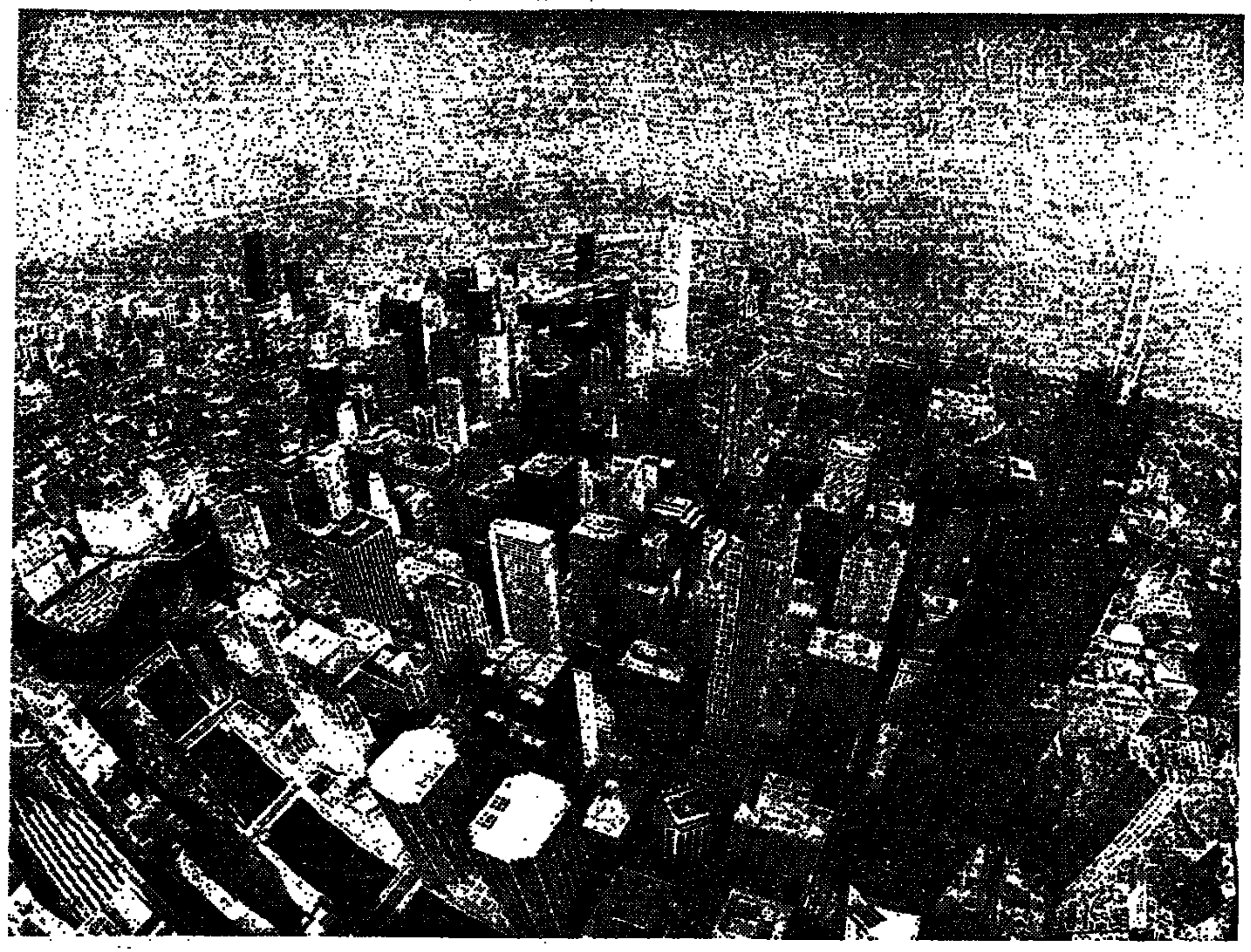
The canal is also beginning to provide the impetus for economic regeneration, as in Blackburn's industrial improvement areas where Eanam Wharf, refurbished as a small business centre, serves as a flagship.

Blackburn's many manufacturers still operating from sites close to the town centre are constrained by a latter-day infrastructure anomaly which still has to be resolved, as there is as yet no coherent inner ring road system.

Robert Waterhouse

FINANCIAL TIMES
SURVEY

Despite community problems, the loss of manufacturing jobs, the uncertainty of its international role and the FBI's revelations of fraud on the two futures exchanges, the city's position as an important business and regional centre is undisputed, says Deborah Hargreaves.



CHICAGO
A FINANCIAL CENTRE

CONTENTS

In need of a strong leader

CHICAGO IS wrestling with a changing role. Built on a brawny base of smokestacks and stockyards, it has worked hard to diversify, and is trying to mould an international image in finance.

The windy city's reach into the world financial scene extends from its unrivalled futures exchanges, anchored by a 140-year-old tradition of risk-taking.

From its role at the turn of the century, as a centre for farmers from rural Illinois to sell their crops, and for the slaughter of some 6m pigs a year in the heyday of the stockyards, it has developed an entrenched trading culture. This, in turn, has evolved into the phenomenal financial futures business housed in the city today.

Mr Leo Melamed, Chicago's guru of financial futures and still a leading light behind the Chicago Mercantile Exchange, delights in recalling that Chicago, when he pioneered financial futures back in 1971, was home to no foreign banks – today more than 80 branches have established themselves there. Although the proliferation of foreign banks owes just as much to changes in Illinois banking statutes, it is undoubtedly Chicago's futures business that has marked the city on the world map.

Its three futures and options exchanges account for more than 60 per cent of worldwide business, and Chicago also boasts a strong regional equities market at the Midwest Stock Exchange.

Mr Melamed's prediction to the erstwhile mayor, Mr Richard Daley, that the development of financial futures would move the "centre of gravity of finance a few feet westwards towards Chicago", has been proved correct.

Employing 330,000 people in the Chicago metropolitan area, the city's financial services industry has blossomed from a base of 50,000 jobs a decade ago, and runs close behind those of New York and Los Angeles.

But revelations of a two-year undercover investigation by the Federal Bureau of Investigation, into massive fraud at Chicago's exchanges, threaten to dent the integrity of the futures business. Even worse, for a city obsessed with its image, the prospect of multi-million dollar fraud in Chicago's futures community that went undetected before FBI agents infiltrated the trading floors with hidden microphones, raises the spectre of the windy city's corrupt and freewheeling past.

Chicago has long tried to distance itself from its gangster era, when Al Capone and his mob controlled everything that went on. But, at the same time, the city can take a kind of perverse delight in its corrupt origins; and, although the calls for reform are strong at election time, little has been done to trim the excesses of a bloated and costly city government.

A recent report by civic leaders claimed that Chicago city council was the largest, most costly municipal legislative body in the US. The city's severe structural problems are largely ignored by a squabbling city council, which continues to live up to its rambunctious political tradition.

Race remains an inflammatory issue in this deeply divided city – often cited as the most segregated in the US – and the black-white political struggle has been blown into the open again by this year's bitter race for mayor. Since the city's folk-hero black mayor, Mr Harold Washington, died 18 months ago, the black community has been in a moribund state of political disarray, rocked by suspicion of the black acting-mayor, Mr Eugene Sawyer.

Disunity among black voters now seems to have been one reason for the election of a white candidate, Mr Richie Daley, to the mayor's chair – a move that marks an unprecedented upset of a black incumbent by a white challenger in a major US city. Mr Daley is, however, a familiar political figure in Chicago and carries the family tradition from his father, long-time Chicago mayor Richard Daley.

Mr Daley senior presided over City Hall for 21 years until his death in 1976, and is remembered for his dictatorial ways, which nevertheless "got things done – no matter how". The face of Chicago's booming downtown Loop district today remains very much a product of Mr Daley's vision.

Many of Chicago's business leaders had hoped for a victory by Mr Daley junior, to provide strong leadership that will tackle some of the city's entrenched problems. Most admit that the bickering council and its combative politics are clear negatives for Chicago business.

High corporate taxes and poor schools actively discourage new business from locating in Chicago, say business leaders. Although the city remains a headquarters for over 40 Fortune 500 companies, it has little success in attracting new names. The relocation to Chicago in 1987 of Firestone Tyre and Rubber Co – since taken over by Japan's Bridgestone – was the first move by a major company to the city in many years.

Sears Roebuck, the world's largest retailer, dealt a heavy blow late last year, when it announced that it would sell Chicago's most famous landmark, the Sears Tower – the world's tallest building – and move its 8,000 merchandise staff to a lower-cost location.

Amid its changing business base, Chicago has made an aggressive effort to retain and create new jobs, although its attempts have not always been well co-ordinated. The city has been losing manufacturing jobs at a rate of more than 2 per cent a year. Today, around a sixth of the city's 3.15m metropolitan workforce is employed in the manufacturing industry – down from one third in the early 1970s.

These jobs have largely been lost to the booming suburbs or other, lower-cost, locations within the Great Lakes region. This has created an anomalous situation in Chicago where, sandwiched between an affluent suburban belt and robust downtown, the minority neighbourhoods are experiencing high unemployment and rapid urban decay.

Unemployment at 6.5 per cent is stuck stubbornly above the national average, and is much higher in the city's ghettoes. A burgeoning downtown service industry has done little to absorb displaced manufacturing workers and, in any case, industrial jobs offer higher pay and better benefits.

In recognition of the need to get the city's neighbourhoods working, Chicago's Economic Development Commission has been revitalised as a public-private partnership. However, the body has so far done little more than slate three sites for industrial parks within the city, in a somewhat naïve effort to attract heavy and light industry back to the neighbourhoods.

As Mr James Annable, chief economist at the First National Bank of Chicago explains, the high proportion of manufacturing jobs in Chicago for so long was a measure of its immaturity. "The city's future is definitely as a service centre for the Midwest, and is intimately intertwined with manufacturing. But land is too expensive to keep industrial jobs in the urban area."

While the skyline is altered in one of the longest real-estate booms in the city's history, the Loop remains in stark contrast to some of the city's notorious ghetto neighbourhoods. Reform of the near-bankrupt public housing authority and its crumbling public school system – described by former education secretary Mr William Bennett as the worst in the country – is long overdue.

Mr Annable believes that school reform is central to Chicago's future growth: "Without doubt, it has to be the city's first priority. We're going to need a population that can read and write, to provide labour for economic growth." A reform plan for the city's public schools has been hammered out, but its implementation could be impeded by political jockeying and lack of money.

Chicago's banking sector continues to promote local growth, although the city's major bank, First Chicago, could be vulnerable as a takeover target when Illinois opens its borders to full interstate banking next year. Continental Illinois has pursued the opposite tack, and is positioning itself as an international investment bank, having sold its retail accounts to First Chicago.

While Chicago's future role on the world stage is still unclear, its dominant position as a regional centre is undisputed. With more than a quarter of the US population living within 500 miles of downtown Chicago, the city retains an unrivalled lead as a transport hub – O'Hare airport remains the busiest in the world.

Manufacturing in the heartland is undergoing a steady revival on the back of a lower dollar. Much of the heavy industry in the Great Lakes region is operating at full capacity, amid an aggressive export drive. While this has resulted in few new jobs for Chicago, the city is re-living its heyday as a freight centre, absorbing a flow of imports from the west coast and shipping Midwest manufactured goods back again.

At the same time, a flow of foreign capital has reached Chicago, with many British and Japanese firms buying into the area. Japanese capital is widely mooted to be interested in the Sears Tower, and real-estate purchases by Japanese investors have helped sustain the city's commercial building boom.

In its gutsy way, Chicago has pushed itself on to the world stage. But its position there is precarious and hangs very much on the fate of its futures industry. The city is in need of a figurehead to project its image beyond the Midwest and establish its presence as an international city, while tackling some deep problems at home.

Deborah Hargreaves on the shadow over the futures exchanges

Tighter regulation feared

IN THE hurly burly of Chicago's futures trading pits, where millions of dollars change hands daily amid a swirl of gesticulation and a barrage of shouting, lies the city's future as a financial centre.

It is Chicago's history as a focal point for trading agricultural commodities that has pushed its exchanges to the top of the world industry, where they command over 60 per cent of the global futures business. If the windy city's international reputation is to be enhanced, it will be through the efforts of its pioneering futures exchanges.

But the innovative spirit has all but been obscured by the problems of the past two years, during which the city has struggled to prove its integrity. After pulling themselves out of the fall-out from 1987's stock-market crash, both exchanges currently face a challenge to their independence from the massive probe by the Federal Bureau of Investigation into futures-trading abuse.

In dissecting the stock-market debacle, many critics of Chicago's markets tried to thrust blame on to its derivative markets. The exchanges lobbied hard to avoid more restrictive regulation, which they argued could push business overseas.

Now, once again, they face cries for more stringent market oversight, as the FBI reveals its two-year undercover inquiry into fraud on the futures floors. The exchanges are taking their own precautions to try and stave off intervention from industry regulators and Congress.

However, the FBI probe could not have come at a worse time for the city's futures exchanges. The industry's federal regulator, the Commodity Futures Trading Commission (CFTC), is due to have its authority renewed by Congress later this year – a process that will enable Congressional committees to take an in-depth look at futures regulation, and possibly suggest some tightening of the rules.

Chicago has long struggled against what it sees as the weight of ignorance about its markets, which in the past has prompted some of the more outlandish proposals for quelling market volatility and restricting trading. The city's exchanges argue that, to retain their lead in an increasingly competitive global industry, they must not be hampered by more expensive regulation.

The crash has already dented volume for some of the city's bellwether contracts, and news of the fraud probe led to an initial slump in trading, although this has subsequently revived. The Chicago Mercantile Exchange (CME) felt the effects of a decline in stock index futures volume last year, when its total trading volume dropped by around 7 per cent to some 78m lots.

But at the same time, the Chicago Board of Trade (CBOT) – the world's largest futures exchange – posted another record year for volume when trading rose 12 per cent to 143m contracts. This total was boosted by a phenomenal growth in agricultural futures trading during last year's harsh drought.

In a bid to retain their lead at the top of the futures industry, both exchanges are aware of the need to attract overseas business to Chicago with a range of new products and longer trading hours. The industry's current fixation is with electronic trading – even more so since the FBI inquiry, because electronic systems provide accurate trade monitoring.

Although Chicago remains committed to the time-honoured practice of open outcry, by which contracts are traded in an open-auction system, it recognises the need to extend its trading hours. The CME has declared that it sees "the future of futures" in its Globex black-box system, which will provide a trading environment once Chicago's floor is closed.

Globex, which the CME is developing jointly with UK information group Reuters, is due to start up in October. The plan is to harness the CME's day-time liquidity by trading some of its most successful contracts through the night, until the Chicago market re-opens.

In a bid to make the system a truly global one, the CME is talking to other exchanges about joining the venture – the New York Mercantile Exchange and Sydney Futures Exchange have joined up, and more are expected to follow.

One exchange that will not be joining Globex is the CME's La Salle Street rival, the CBOT. It initially declared its strong opposition to black-box trading, went ahead with an evening trading session in Chicago, and plans to extend its hours even further with another open-outcry session in the early morning.

However, in the midst of the current fraud probe, the CBOT was driven to admit that it is pursuing its own form of electronic trading, which it will put to a membership vote. Coming as a complete reversal of its previous policy, the CBOT's plans for electronic trading could take several years to develop – Globex has taken two years to complete.

Electronic trading will allow Chicago to reach investors in the Far East as well as in Europe. Both exchanges see huge growth potential in Japan, where money managers are just beginning to use futures and options as the country's finance ministry relaxes restrictions.

The opening up of the Japanese market has prompted Chicago to tailor several new products towards its Far East clients. The CME is preparing to list futures on the Nikkei 225 stock index on Globex later this year; and the CBOT has approval to trade a futures contract based on Topix – the Tokyo Stock Exchange's index – as well as Yen bond futures.

In the drive to extend their international reach, Chicago's exchanges are working on even broader products, such as the European, Australian and Far East stock index, which the CME plans to list this year. The new contract is a broad-based index developed by investment bank Morgan Stanley.

But these efforts could be in vain if the FBI proves that it has discovered multi-million dollar fraud on Chicago's futures floors. Widespread charges of wilful trading abuse could severely dent the integrity of futures trading, leaving investors wary.

The exchanges themselves have acted quickly to emphasise their own surveillance procedures and initiate an examination of their trading rules, with a view to making any necessary changes. The CME has appointed a panel of industry experts, including Ms Susan Phillips, former head of the CFTC, to look at its rules, and the CBOT is making an internal review.

Certain trading practices – such as dual trading, whereby a trader can trade for his own account, as well as a customers', have already come under scrutiny with a view to a ban. However, Chicago's exchanges are wary of acting too hastily before the full results of the FBI probe are released.

Yet investors currently appear to need little persuasion to remain in Chicago, and after a short stand-off immediately following the revelations about the FBI probe, volume has returned stronger than ever.

"These are vital important markets," says one trading firm executive. "We're all going through a period of self-examination. But in the long term, that could add to our integrity."

TOP TEN CONTRACTS TRADED (000s): 1988

CHICAGO BOARD OF TRADE	
Treasury Bond futures	70,307
Treasury Bond options	19,509
Soyabean futures	12,497
Corn futures	11,105
Soyabean meal futures	5,313
Ten-year notes futures	5,200
Soyabean oil futures	4,896
Wheat futures	3,377
Soyabean options	3,245
Corn options	1,591
CHICAGO MERCANTILE EXCHANGE	
Eurodollar futures	21,705
Standard & Poor's 500 futures	11,353
Yen futures	6,433
Deutsche Mark futures	5,662
Live cattle futures	5,477
Swiss franc futures	5,283
Yen options	2,944
Deutsche Mark options	2,734
British pound futures	2,616
Eurodollar options	2,599

FUTURES TRADING VOLUMES (million contracts)

	1984	1985	1986	1987	1988
CBOT	74.4	83.9	110.8	127.1	143.1
CME	44.9	56.5	65.7	84.2	78.0

Revelation of the FBI's two-year inquiry into fraud could not have come at a worse time

PROFILE

Eyes on the globe

FROM ITS modest origins as a family-owned futures trading firm in Chicago, LIT America – bought out by a British company – has developed into one of the world's largest clearing firms.

The company's history represents the saga of consolidation and acquisition that has dominated the Chicago brokerage community over the past few years.

Recently-merged into LIT, the futures firm has been eager to spread its presence in Chicago by buying up local brokerages – a process it accelerated in the aftermath of 1987's stock market crash.

At the same time, the company's parent, LIT Holdings, has been pursuing its own expansion policy on the other side of the Atlantic, leading the group to the top of the futures industry.

"The middle-sized firms have pretty well gone now," says LIT America chairman Mr David Vogel. "To survive in this business, you've either to be a small boutique, offering specialist services, or you've got to grow."

With a capitalisation of $60m and some 750 employees, LIT America is growing rapidly. Its parent has a capital base of some $200m and pretty deep pockets, which have been funding widespread internal expansion as well as a policy of strategic acquisition.

With 750 employees and a capitalisation of $60m, LIT America, initiated when the London parent took over Shatkin Trading, is growing fast

LIT America was initiated when the London parent took over Chicago's Shatkin Trading in 1982. The company went on to acquire Rialcor-Shatkin in 1984, a brokerage and clearing firm operating at the Chicago Board Options Exchange and the Midwest Stock Exchange. From this base, the group could pursue its strategy of growing into a major commission house.

The fall-out from the stock market crash provided welcome opportunities for the acquisitive LIT. The company was aggressive in its pursuit of expansion and took over several Chicago family firms, including the Goldberg organisation (a huge clearer of futures and options, with bases on most major US futures and securities exchanges) and G.H.Miller (one of the oldest clearing members of the Chicago Mercantile Exchange).

A final merger with the market-making division of Shatkin Investment at the CBOE saw LIT America double in size last year. The firm currently clears 18 per cent of futures contracts at the Chicago Board of Trade – the world's largest futures exchange which traded 143m lots last year – and 9 per cent of the volume on the Chicago Mercantile Exchange.

As other brokerage operations are cutting back amid a drop in volume that followed Black Monday, LIT is pushing ahead with internal growth in securities as well as futures. Although some rationalisation ensued from the merger of all US operations into LIT America last year, the company is now looking to boost its brokerage staff.

Mr Vogel explains that the firm plans to add another 80 office brokers in New York, where it runs a large program-trading operation – an index arbitrage program that exploits the differences between the futures and equities markets, by constantly buying the cheaper stocks and selling the higher-priced stock-index futures and vice versa.

As a clearing firm, LIT processes trades for other commission merchants and individual traders – it has few of its own brokers on the exchange floors.

The company does trade for its own account in some markets, and is expanding its operations with the addition of more off-the-floor traders. Mr Vogel cites financial futures, crude oil and some soft commodities as offering the most potential.

LIT is also pushing its exposure in the securities business, but is intent on pursuing institutional, rather than retail, business in both equities and commodities.

LIT is carefully watching the trend towards globalisation in the futures industry, with a view to building the group into a worldwide presence. The company already covers Europe from London and Switzerland, and plans to expand into the Far East from Chicago.

Deborah Hargreaves

The Chicago Board Options Exchange

Crisis of confidence

THE CHICAGO Board Options Exchange has avoided the intense scrutiny of the massive FBI fraud probe that is currently dominating its futures-exchange counterparts. But in the last 18 months, the options market has wrestled with its own set of problems.

With some of the biggest losses in the industry incurred at the CBOE during 1987 stock-market crash, the exchange has faced a long struggle to attract wary private investors back to its markets. Many retail customers who boosted the CBOE's flagship stock index option into the most heavily traded contract in the world, have shied away from options since Black Monday.

What's more, the CBOE has faced severe criticism about the way its market operated during the crash. Some investors filed law suits, contending that the exchange's pricing of options on October 20 was unfair – with many prices "grossly inflated".

All this led to a crisis of confidence at the 15-year-old exchange, which was forced to introduce staff- and budget-cuts in an effort to break even as its contract volume slumped. The need to diversify and break the exchange's reliance on one hugely successful contract was brought home forcefully as stock index volume halved.

"The market will be stronger for some of the proposals that came out of the crash," stresses Mr Chuck Henry, the CBOE president, "but we should not forget that we came through quite well at the time – our systems were never stressed."

Nevertheless, the exchange saw its trading volume plummet in the aftermath of October 19. Average daily volume dropped to some 400,000 lots a day and, although it has since picked up to 550,000 a day, volume is still a far cry from the heady pre-crash days when the Standard & Poor's 100 option alone would account for almost that much business.

The S&P100 index option, which long held the world volume record, regularly accounted for over 60 per cent of the CBOE's pre-crash trading volume, but its volume halved as investors baled out of stock indices.

Fall-out from the crash renewed pressure on the CBOE to diversify, and the exchange pushed ahead with a joint-venture agreement it had reached previously with the world's largest futures exchange, the Chicago Board of Trade. The CBOE was initially set up by members of the CBOT and the two exchanges have maintained close links.

Their first step as part of a joint venture was marked by the launch of a new futures contract on the floor of the options exchange in November. The CBOE250, which was the first stock index contract to start up since the crash, is traded next to the S&P100 index options pit in a bid to encourage arbitrage between the two.

Exchange members say that siting a futures contract in the middle of an options market will give traders an opportunity for a range of innovative strategies combining the two.

However, in spite of the massive hype given to the new contract, the index has been slow to establish liquidity, and volume has dropped off after an enthusiastic start.

As Mr Henry admits, the climate is currently not the best for introducing new products. But the exchange is considering changes in the CBOE250, and he is confident the joint venture has good long-term prospects.

As part of the joint-venture agreement, CBOE products contributed to the link must trade an average of 30,000 lots a day for six months before CBOE members are allowed free access to CBOT index, debt and energy contracts. Once this total reaches 50,000 a day, all rights and privileges at the CBOT are open to CBOE traders.

With the CBOE250 trading only 9,428 lots for the entire month of January, it could be some time before the joint venture is fully operational. In recognition of this, the CBOE has pushed ahead with its own diversification efforts.

The CBOE has followed other US securities exchanges in its creation of a basket options contract – the Options Exchange Basket – in a bid to tailor products to the needs of large institutional investors. The initiative grew out of the crash, and enables investors to buy a whole basket of equity options with a single purchase instead of having to go to the market for each one.

The CBOE's contract proposal is for an option on a basket of 100 stocks that will be physically settled each day for the stocks in the S&P100 index. The basket will make it easy for investors to move in and out of large market positions at a fairly low cost and with minimal impact on stock prices.

The CBOE is also eager to join the trend towards globalisation in the futures and options industry, and Mr Henry believes new products with the best chances of success will be those with an international flavour.

The exchange is planning to list an option on a broad-based index of stocks from Europe, Australia and the Far East – the EAFE index, developed by investment bank Morgan Stanley – while the Chicago Mercantile Exchange will list a futures contract on the same index.

Already the most automated exchange in Chicago, the CBOE is contemplating 24-hour trading, either by moving after-hours trading on-screen or by extending its open-outcry hours, amid the industry's push towards globalisation. Mr Henry explains that the exchange is well positioned to support longer hours with an electronic back-up or to move towards black-box trading if it sees the need.

Three years ago, the CBOE earmarked $35m to update its automated systems, and it is currently testing one of the fruits of this project – an electronic order-book – on the exchange floor. The electronic book, which should be a reality within a year, according to Mr Henry, would provide electronic execution for many orders that pile up at the opening of the market.

With some 10-to-15 per cent of the exchange's business executed at the opening of the market, the new system will considerably speed up order execution. The electronic book will provide "error-free trading and instantaneous reporting," says Mr Henry.

Deborah Hargreaves

Mr Chuck Henry: 'we came through quite well at the time'

The Japanese presence

Major players hedge T-bonds

THE PAST year has seen an influx of Japanese brokers into Chicago's markets, as Tokyo has liberalised its financial regulations and become the target of a concerted marketing effort launched by the windy city's futures exchanges.

Eager to hedge their phenomenal investments in US Treasury bonds, Japanese investors have welcomed the loosening of restrictions on trading futures. They have further experienced the growth of their own nascent futures market where two stock index futures contracts began trading last year.

Futures and options remain new concepts for Japan's institutional investors, and their potential in these markets is largely untapped. But with over $100bn invested in US T-bonds, institutions have huge exposures to hedge.

Indeed, the Chicago Board of Trade's evening trading session, launched two years ago to attract Far East business, is now dominated by Japanese activity in the bond futures pit. The 6pm-to-9pm session trades some 200,000 contracts a month — most of these in Treasury bonds.

Japan's four major brokerage houses have been keen to establish a presence in Chicago, as investors develop an interest in derivative products. Yamaichi, Daiwa and Nikko Securities have all registered as clearing members on both the CBOT and Chicago Mercantile Exchange, where each owns the minimum requirement for clearing membership of six exchange seats.

Nomura has taken a different approach and, although the firm has enough seats to qualify as a clearing member, is looking to acquire established expertise. The firm believes the best way to gain entry to the futures business is by investing in an existing firm.

However, Nomura has been talking to several candidates over the past year and has yet to cut a deal. It faced a setback late last year, when the firm broke off advanced talks with Chicago's GNP Commodities after GNP had received a complaint from the industry's regulatory body, the Commodity Futures Trading Commission.

The complaint charged the company and several of its employees with trading violations, including fraud.

As part of a similar strategy, Mitsubishi Bank added to its own small futures force in Chicago last month, when it took over Sectrend, a small clearing firm at the CME. Sectrend — to be renamed Mitsubishi Futures — is run by a member of the CME board of governors, and adds considerable expertise to the Japanese firm's futures base.

The firms have all been developing their own computer clearing systems, and are expected to move into high-efficiency, low-cost clearing operations. Mr Toshio Mori, chairman of Nikko Securities, admits the firm is striving to be very competitive in attracting Japanese clients, but is yet to solicit much US business.

Chicago's futures exchanges have been diligent in their efforts to woo Japanese business, and both have established their own offices in Tokyo. The CBOT has taken a further step and entered into an agreement with the Tokyo Stock Exchange to develop joint products such as Japanese Yen bond futures.

In addition, both the CBOT and CME plan to list futures contracts on two Japanese stock indices later this year. This is being eagerly awaited by many Chicago traders, as well as Japanese investors, as the contracts will offer them a chance to react to developments in Japan's stock-market in an overseas arena.

These contracts should boost Japanese activity in futures which, although growing is still small by comparison with European interest. The Japanese firms are also keen to participate in the options market, but are waiting for a further relaxation in Japanese financial regulation covering the use of foreign options before they join the Chicago Board Options Exchange.

All the major firms are strengthening their floor brokerage operations and developing their clearing back-up, as they look set to become a potent force in the windy city.

Deborah Hargreaves

William Hall examines banking patterns in the increasingly affluent metropolitan area

Mergers abate as bankers ponder

FIRST CHICAGO, the city's biggest bank, had its best year ever in 1988, and celebrated it by raising its dividend by 20 per cent.

A few blocks away, at Continental Illinois, the story is much the same. The problems that have haunted Chicago's two biggest banks are now slipping into the past. While they have not yet recovered their former glory, and remain overshadowed by the rapid rise to power of a clutch of new super-regional banks, such as Ohio's Banc One, they are far more confident institutions than they were only a couple of years ago.

It is a similar story among most of the other banks, big and small, in the Chicago metropolitan area. For the big banks, the problems of Third World debt provisions are steadily declining in importance; the middle-market business banks continue to benefit from the recovery in the Midwest economy; and the suburban and community banks are earning above-average returns on the back of the region's increasing affluence.

The Federal Reserve Bank of Chicago reports that the return on assets of the banks in the seventh Federal Reserve district (which includes portions of Illinois, Indiana, Michigan, Wisconsin and all of Iowa) was 1.13 per cent in the third quarter of 1988 — some 17 basis points higher than a year earlier — and asset quality continued to improve. Non-performing loans, as a percentage of total loans, fell by 29 basis points to 1.33 per cent.

The effects of the drought on the performance of the region's long-suffering agricultural banks was not as severe as was once feared. Meanwhile, the third-quarter loans of the 882 Illinois banks monitored by the Chicago Fed grew by 8.7 per cent, considerably faster than was the case in Indiana, Iowa, Michigan or Wisconsin.

The decline in the dollar in the previous three years has boosted the competitiveness of large parts of the local economy. "Having lived with a lot of pain in the early 1980s, we now have a good economic base," says Mr Richard Thomas, First Chicago's president. "A lot of our basic industries suffered from Japanese competition, and they have been transformed".

He reels off a string of names — Caterpillar, John Deere, the Detroit car manufacturer, and Inland Steel — to support his belief in the industrial renaissance now under way in First Chicago's backyard. "We are sitting here in Chicago, one of the most vibrant commercial centres in the US, and at the heart of an area which includes Cleveland, Detroit, St Louis, Indianapolis and Kansas City. These are places which are buoyant."

David Fox, the president of Northern Trust, is equally upbeat about the region's prospects. "Even during our darkest rust-belt days I was always greatly optimistic about Chicago. There have been a lot of spin-offs, and the general business climate in Chicago is good."

While few bankers believe that their bad debts would not rise in a recession, Chicago's increasingly diversified economy means that its banks are unlikely to be as affected as some of their regional competitors in any economic downturn. Equally important, real estate prices have not risen anywhere near as rapidly as in some other parts of the US, so the scope for a sharp fall in asset values is considerably less.

Chicago is the undisputed financial capital of the Midwest, with a population of around 8m. As well as being the headquarters of some of America's best-known corporations, it is home to more than 30,000 firms with annual sales of between $1m and $250m. Some suburbs, such as Du Page county, are a magnet for the high-tech industry, and among the fastest growing in the US. It is the sort of market where bankers should be able to earn handsome profits, and many are.

However, the Chicago banking industry remains in a state of considerable flux. The main problem is the outdated local banking laws which, until recently, imposed severe restrictions on local bank expansion. "If it had not been for these restrictions you would probably have already ended up with five large banks which owned everything," says John Snow, a senior bank analyst with Chicago Corporation, a local broker.

Since 1982, when the state of Illinois permitted multi-bank holding companies, there have been a significant number of bank mergers within the state. These accelerated after July 1, 1986, when Illinois banks were permitted to acquire or be acquired by banks in Indiana, Kentucky, Michigan, Missouri and Wisconsin. The final date, which has been ringed in red on every banker's calendar, is December 1, 1990, when national interstate banking takes effect.

This will permit combinations between banks and bank-holding companies in any state, provided the other state has passed legislation granting similar privileges to Illinois banks.

The pace of merger activity in and around Chicago has slowed down lately, as bankers have begun to ponder their next move. The key decision is whether a bank is going to be an acquirer or be acquired, and this is resulting in widely differing business strategies.

Only two big banks in Chicago are capable of playing on the national stage — First Chicago and Continental Illinois. Both face the same problem: their lowly stock-market rating has prevented them from taking part in the regional bank takeover game; while several smaller, but more profitable, out-of-state banks have been able to buy a major position in the Chicago banking market.

These two banks have dominated the Chicago business landscape for many generations, but their performance over the next year or two will dictate whether they can hold on to their leadership position. The years when Chicago was a protected banking market are over, and, as Citicorp has demonstrated, the attractive banking margins are luring in new competitors.

Over the years, the two big banks have regularly leap-frogged each other in size, but their business strategies are more divergent than ever before. Continental Illinois, under the direction of Mr Tom Theobald, an ex-Citibanker, has changed the direction of the bank dramatically since he took over.

The retail banking operations, which had only recently been acquired as part of a plan to reduce Continental's unhealthily large reliance on volatile wholesale money, have been sold off, and Continental is concentrating on three main businesses — corporate finance, risk management and specialised financial services.

Continental has swallowed its old slogan of the "big bank with the little bank inside", and has replaced it with a new ambition to be the "best business bank in the business". Its goal is to be "a financial intermediary with increased asset liquidity and strengthened pass-through and distribution capacities — in short, to be a resource for our customers on both the origination and distribution sides. Increasingly, we will use our balance sheet as an inventory of products to be traded or sold."

Mr Waite Rawls, a vice chairman who was hired away from New York's Chemical Bank to help Continental's transformation, says that the bank is now concentrating on 2,000 or so corporate customers whose sales range between $250m and $2bn. Because of Continental's close ties with the Chicago futures exchanges, it has a considerable knowledge of the new and complex risk-management products, and Mr Rawls and his team aim to exploit these strengths. Few banks in the world are following such a narrowly focused strategy.

First Chicago, by contrast, is following a less adventurous route, but Mr Thomas believes it offers better growth opportunities and is less risky. It is hedging its bets by being both a global corporate bank and a super-regional bank — something, incidentally, which Continental's aggressive advertising campaign says does not make sense.

However, First Chicago is unabashed. It is the biggest wholesale and corporate bank between the East and West coasts, and at the same time it has built a super-regional bank which now accounts for a third of the group's $44bn of assets and half of its earnings. If it were standing on its own, this part of First Chicago's business would have a return on equity of 25 per cent, the highest of any super-regional bank.

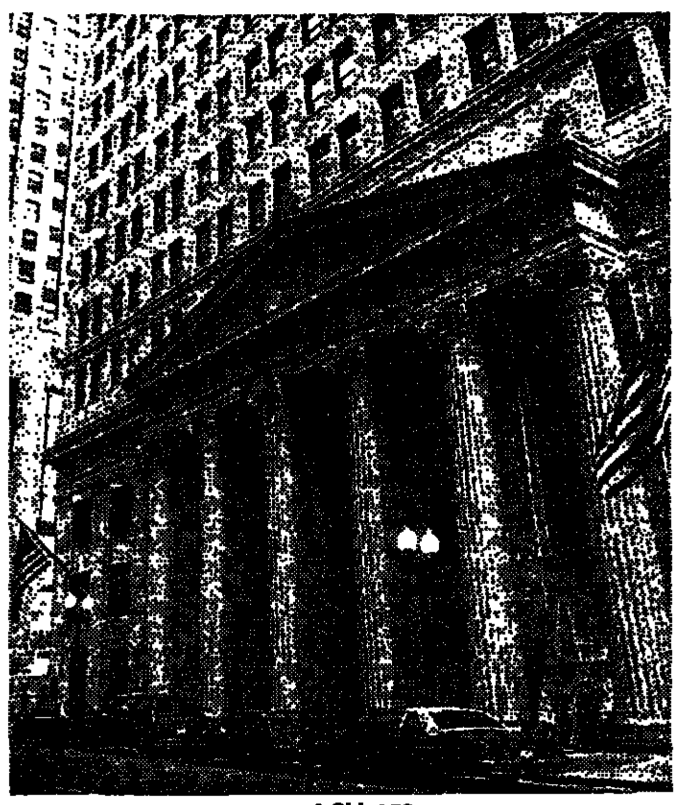
"We intend to grow the assets of our super-regional bank more rapidly than in the corporate bank," says Mr Thomas; and the hope is that the better quality of First Chicago's earnings will begin to be reflected in its stock price. The group's acquisition of American National Bank, which serves the Chicago middle market businesses, has worked out well, and the group's consumer banking operation is now more than twice as big as the nearest competitor. "We are picking up $7 out of every $10 in Du Page county," says Mr Thomas with a smile.

The gap in size between these two banks and the competition is considerable. Harris Bank has already been acquired, and the next biggest bank, the $9bn Northern Trust, is less than a third the size of Continental. It is one of the most attractive banks in Chicago, and would almost certainly have attracted a predator were it not for the substantial holding of the Smith family and the bank's own employees, which makes it effectively takeover-proof.

It is one of only a handful of specialist trust banks in the US (State Street and US Trust are other examples), and over 50 per cent of its revenues come from the trust operations which have been expanded into Florida, California and Arizona. It has carved out a number of special niches for itself, such as its highly successful global custodian business, and it is one of the most profitable banks in downtown Chicago.

After Northern Trust, there is another large gap. La Salle the next biggest, has already been taken over; and Exchange Bancorp, which is about the third of the size of Northern Trust, is one of several medium sized banks that seem to be obvious targets when the barriers to interstate banking drop at the end of next year. Along with groups such as First Illinois and First Midwest, the shares of Exchange are standing at a handsome premium to the market, which suggests that this thought has not be lost on the investors on La Salle Street.

When it comes to investing in Chicago bank stocks, the motto is: the smaller, the more beautiful, for the time being.



The Federal Reserve Bank of Chicago

HANGING ON the wall in the Chicago City Library, at 400 North Franklin, is a list of more than 400 US savings banks which have a negative net worth.

The ones from the Chicago area have been highlighted with green asterisks, and while the library staff have not gone to the extent of pinning a public health warning about placing money with these institutions, the intent is there.

The financial crisis of the US thrift industry, the colloquial name for the country's saving banks, has been going on for years, and the losses continue to climb. Consequently it comes as a surprise to realise that many of America's savings banks are healthy and growing reasonably rapidly. And Chicago is no exception.

THRIFTS

Many are in good health

The two biggest problem thrifts in the Chicago area, Lyons Savings and Pathway Financial, grabbed the headlines at the turn of the year, when they were taken over by the authorities and sold to outside investors, in a desperate rush to take advantage of some expiring tax advantages.

However, there was far less publicity when Talman Home Federal, the biggest thrift, with $6.3bn of assets, increased its 1988 net income by 22 per cent to $25.6m; and St Paul Bancorp, its smaller and more profitable rival, increased its profits by 9 per cent.

"We are continuing to generate a good level of recurring earnings, have a relatively good capital position, interest rate risk is under good control, operating expenses are well contained, and above-average asset quality has continued to improve," says Talman's chief executive, Theodore Roberts.

Joseph Scully, who has been running St Paul for the last eight years, notes that "increased adjustable rate lending in the Chicago market contributed significantly to the growth of St Paul's earning assets."

Chicago is the third largest metropolitan market in the US, and is expected to be one of the leading areas for job-creation over the next decade, which should mean strong demand for housing finance – the stock in trade of the local savings banks. In addition, local commercial banks are restricted in the number of branches they can open, while the thrifts face no such curbs. This gives them a competitive advantage in consumer banking, and means that their branch networks could become increasingly attractive to predators when the last barriers to interstate banking are dropped.

Illinois' regional banking legislation, allowing reciprocal mergers with six Midwest states, has been expanded to include thrifts, and a December 1990 national trigger date will allow Illinois thrifts to acquire thrifts in reciprocating states nationwide.

St Paul is the oldest of the major Chicago savings banks and, like many former mutually owned organisations, is firmly entrenched in the local community. Its slogan is: "The bank that's good for life". Founded 100 years ago in the basement of St Paul's church on Chicago's south-west side, nowadays its 25 offices are spread out mostly in the prosperous north-western suburbs, and its mortgage lending extends as far as California.

Talman, which is roughly twice as big, but is less well capitalised, is a younger institution, and has an even more colourful history. Ben Bohac, the son of Bohemian immigrants, set up a building and loan association, on the corner of 51st and Talman – hence the name – on January 6 1922.

Like many similar institutions, it took its lead from the building societies and savings banks in Europe, and channelled the savings of the local community into building houses at a time when Chicago was growing rapidly.

Acquiring a failing thrift, as Citicorp did, is the easiest way to enter Chicago's $50bn-plus retail banking market

For many years Talman's records were kept in Bohemian. It survived the great Depression and the infamous Bank holiday when many US banks closed and never reopened; and, even during its darkest days, it prided itself that the longest time customers ever had to wait for their money was two weeks.

However, in common with many local thrifts, Talman ran into difficulties in the early 1980s. Not only was its book mismatched, with fixed-rate lending having to be funded by increasingly expensive floating-rate money, but its rapid expansion resulted in heavy overheads. The US authorities came to its rescue, encouraged it to convert from mutual status and raised $72m in a stock offering at the end of 1986. The Federal Savings and Loan Insurance Corporation retains warrants to buy 25 per cent of Talman's stock.

But while local thrifts, like Talman, St Paul, Craigin and Bell Federal, are well regarded in the local community, they are increasingly minor players in an industry where much bigger institutions are battling for market share.

The new owners of Lyons Savings and Pathway Financial are typical of the new organisations that are transforming the US savings bank industry landscape, with the help of substantial financial bribes from the US Government to take over troubled savings banks.

Lyons, for example, was taken over by Coast-to-Coast Financial, an investment group backed by one of Chicago's wealthiest families, the Pritzkers. Meanwhile, Pathway Financial was sold to the San Francisco-based First Nationwide, part of Ford Motor's financial services business.

Acquiring a failing thrift is the easiest way to enter Chicago's $50bn-plus retail banking market; and Citicorp, America's biggest banking group, is the prime example. In 1984, it rescued First Federal Savings & Loan, Chicago's second biggest thift, which was suffering from weak management, heavy losses and lack of capital. Its progress since then has been steady and uncontroversial. It did not cut margins and buy market share, as some of its rivals once feared, but it is building up its customer base

Mr Loren Smith, the chairman of Citicorp Savings is very different from the traditional savings banker. His early years were spent in consumer marketing at Colgate-Palmolive, where he competed head to head with other marketing giants like Procter & Gamble.

Although Citicorp is rather coy about giving out financial data, Citicorp Savings has been making money for several years, and Loren says that it has doubled its business "about every two and a half years". It does business with about 450,000 households in Chicago, and added 50,000 new checking accounts last year. According to the American Banker newspaper, Citicorp Savings has a 6 per cent share of the deposits in its market area, and is aiming for a market share of between 10 per cent and 15 per cent.

If Citicorp is to make a decent return on its investment in the Chicago savings bank market, it has to be bigger; and if its views are shared by its rivals, then the structure of the local thrift industry is going to change considerably

William Hall

Profile: Kemper Financial Services

A friend to safety-seekers

CHICAGO HAS never been renowned as a major money management centre. Boston and New York are far more important on the east coast, and Los Angeles and San Francisco on the west.

However, Chicago is the home of one of America's biggest and fastest-growing mutual fund managers – Kemper Financial Services. It manages close to $40bn of money, split almost equally between money market and mutual funds, and has over 2m customer accounts.

Kemper is not as well known nationally as old-line east-coast mutual fund managers, such as Fidelity and Dreyfus, but it has doubled its market share over the last five years, and last year alone grew its assets twice as fast as the industry's 4.1 per cent.

The Kemper name is well regarded throughout the mid-West. It is making inroads into the lucrative Californian markets; and the recent opening of a London office indicates that its international ambitions go beyond its long-standing and successful joint venture with one of Scotland's top money managers, Kemper-Murray Johnstone.

The US mutual fund industry can be divided into three segments: the proprietary funds sold by major retail brokers like Merrill Lynch; the no-load funds offered by firms such as Fidelity; and the funds which pay commission to brokers, the so-called load funds. Kemper is an example of the latter, and has demonstrated convincingly that funds which charge customers substantial front-end fees, or loads, have no difficulty competing with the no-load funds. Indeed, the increase in Kemper's market share suggests that the pendulum is swinging in its favour.

At first sight, this might seem rather surprising, particularly since Kemper's success has been built on the selling of less risky fixed-income mutual-fund products, rather than the traditional equity mutual funds. However, Kemper has spotted and exploited one of the most powerful current investment trends in the US.

The 1987 stock-market crash took a savage toll on investor confidence. While investors are returning to the market they are interested in safety. The increasing complexities of the various fixed-income products, and the associated credit risks, has meant that they are willing to pay for advice. Meanwhile, proprietary mutual funds sold by the big brokerage firms suffer, because customers tend to be suspicious about their independence in difficult markets.

Kemper's decision to develop products for the safety-conscious investor has touched a responsive chord. Ten years ago, perhaps 20 per cent of its business was in fixed interest and the vast bulk was in equities. However, this has been completely reversed and Steve Gibson, first vice president of Kemper's mutual fund product management, says that the proportion in fixed income will soon be around 80 per cent.

Its two flagship products are Kemper US Government Securities fund and a high-yield fund which invests in junk bonds. The performance of both has been among the best in the industry, and this factor together with Kemper's emphasis on selling its products through banks, has enabled it to continue attracting new money when many firms in the industry were experienceing net redemptions from their equity funds.

Steve Gibson and his team are now working on a guaranteed equity product which will ensure that investors will get their money back, and offer some upside potential by investing 50 per cent, say, in equities.

William Hall

Foreign banks in Chicago: 1988 assets ($m)

Bank of Montreal	3,922
Fuji Bank	3,264
Mitsubishi Bank	3,228
Industrial Bank of Japan	3,921
Banco di Roma	2,602
Sanwa Bank	2,541
Sumitomo Bank	2,134
Dai-Ichi Kangyo	1,813
Lloyds Bank	1,735
Tokai Bank	1,160
Mitsui Trust & Banking	859
Taiyo Kobe Bank	805
Commerzbank	800
Kyowa Bank	770
Mitsui Bank	669
Crédit Agricole	573
National Westminster	542
Saitama Bank	488
Banca Nazionale del Lavoro	487
Banque nationale de Paris	478
Long-term Credit Bank of Japan	411
Swiss Bank Corp	410
Algemene Bank Nederland	359
Banca Commerciale Italiana	257
Crédit Lyonnais	247

Source: Illinois Commissioner of Banks and Trust companies

FOREIGN BANKS

'Enough here for everyone'

IT IS 15 years since Barclays Bank led the first wave of the foreign-bank invasion of Chicago, writes William Hall. While most of the 50 or so banks that came to the city have stayed and put down roots, their presence is rather low-key these days.

Most have given up hope of challenging the local banks in heavily overbanked areas such as retail banking, and there is little sign of obvious tension between Chicago's domestic banks and the newcomers.

The two biggest Chicago banks are pursuing their own specific strategies; and, although Harris Bank and La Salle are now owned by foreign banks, they still behave like Chicago banks. One sign that there is little friction between the foreign banks and the local banking community is that, unlike most other major US financial centres, Chicago has not spawned its own association of foreign banks to get its message across.

"There is enough business here for everyone to make a decent living", says Mr Paul McAllister, the local senior vice president of Barclays.

Barclays was one of the major banks responsible for getting the laws changed to permit foreign banks to move into Chicago, and any controversy it caused has long been forgotten. It experimented with retail banking, but this has long been discontinued; and its local headquarters is now in a far less visible office, high up in a skyscraper on West Madison. It now concentrates on servicing its customers in a 13-state Midwest region, and its example has been followed by many other foreign banks.

The number of foreign banks coming to Chicago has slowed to a trickle, and there have been occasional defections, such as that of Banco de la Nacion Argentina.

Mr Art Appl, the chief examiner of international banks in the Illinois state banking department, says that most banks come to Chicago to serve their own customers. He admits that there are a handful of banks that find the limitation of their operations to the central business district as hampering their ability to expand into the ethnic areas, but this is not felt to be a major problem.

Illinois is the third biggest centre for foreign banks in the US after New York and California. Almost all banks have chosen to be supervised by the state regulators, partly because it is slightly cheaper and partly because "they know who to talk to," says Mr Appl.

He estimates that around 1,500 people are employed by the foreign banks, and his statistics show a steady growth in their business. The assets have grown from $15.9bn in 1985 to $35bn last year, and the business is continuing to grow by over 20 per cent per annum.

Almost all of the world's major banks with any international aspirations have already set up shop in Chicago. Aside from the importance of the Chicago commodities markets and financial futures exchanges, Chicago is a major manufacturing centre.

Not surprisingly, the Japanese banks are the biggest biggest contingent – there are more than a dozen clustered around La Salle Street. And, while they have been active in areas such as leveraged buy-out (LBOs) financing, much of their business is in servicing the more than 400 Japanese companies that now operate in the Midwest. The Japanese invested close to $2bn in Chicago real estate last year, and many of Chicago's new skyscrapers are partly financed by Japanese financial institutions.

Given the proximity to the border, the Canadian banks are present in force, and among the European banks, most of the familiar British, German and French names are present. There are one or two obvious exceptions, particularly among the Dutch banks, but of the world's 25 biggest banks only four do not have a Chicago banking operation.

One of the most recent entries to Chicago is Deutsche Bank, West Germany's biggest bank. Mr Martin Rahe, manager of its Chicago branch is enthusiastic about the region's prospects, and mentions the revival of Midwest firms such as John Deere. Meanwhile, European firms such as Robert Bosch, Spiegel and Suchard have been increasing their stake in the area.

"The growth today is not just one way," says Mr Rahe, who cites the advent of the single European market in 1992 as having created tremendous excitement. Deutsche Bank's Chicago staff has tripled to 18, and is likely to grow further. As one of the best capitalised banks in the world, its triple-A credit rating gives it an advantage in competing for letters of credit and other credit-enhancing business activities.

However, Deutsche Bank has shied away from the lucrative LBO business, which has attracted several other foreign banks. The returns may look good, but the risks are high.

TRADE

The centre of a double-deck freight system

INTERNATIONAL trade has become more important in the US economy, with the portion of GNP traded with foreign countries having risen from a historic level of about 5 per cent to about 20 per cent. This decade has seen imports, from east Asia in particular, grow by leaps and bounds.

Chicago is a natural honeypot for the importers, as there are 7m consumers in the metropolitan area, and the city's shops and warehouses are within easy reach of most of the rest of the midwestern population. But its role as a railway hub has given added emphasis to Chicago as a focal point for imports.

At the beginning of the 1980s, experiments in the US with marine containers on new railway wagons showed that, by placing one container on top of another, big economies could be achieved in railway operations. More freight could be carried for each ton of wagon, and the train crew would be more productive: in all, these "double-stack" trains would be about a third cheaper to run than conventional trains.

While the conservative managers of the rail carriers dawdled, the ocean shipping lines were quicker to realise the opportunities such economies presented.

One company in particular, American President Lines, foresaw what might be done with double-stack technology. APL contracted with the railways for the operation of tightly-scheduled double-stack trains, connecting its trans-Pacific ships to consuming centres inland, and thus was able to offer importers fast through-transit of freight right from the Asian factory to warehouses in the American Mid-west and east.

The other big US-flag line, Sea-Land, as well as Japanese and other foreign-flag shipping lines, soon followed with their own double-stack trains. Today, huge double-stack trains, over 20 feet high, more than a mile long and carrying 200 containers each, are a common sight in Pacific ports such as Seattle and Los Angeles.

Chicago, at the hub of the railway network, is the focal point inland for these trains. Over 70 double-stack trains a week, loaded with videos, stereos, leisure footwear and so on, converge on the city, hauled 2,000 miles from the west coast over mountain, desert and prairie by western railroads such as the Union Pacific and Burlington Northern.

Some of the trains are interchanged in Chicago with eastern carriers for New York and other east coast destinations. Ocean shipping lines using the overland route via Chicago have found they are able to shave 14 days from a Yokohama-New York itinerary, compared with transit through the Panama Canal. This faster service gives a valuable saving in inventories, and the railways anticipate that they will eventually capture as much as half the traffic that used to transit use the canal.

The inventory savings possible with the new system are useful not only to consumer goods importers but also to manufacturers. For instance, the Japanese car makers that have set up assembly plants in the Midwest in recent years use double-stack trains to transport imported car parts. In this way, the rail yards in Chicago form an integral part of a just-in-time manufacturing operation that stretches half way round the globe.

As part of a system for moving east-Asian imports, those same Chicago rail yards bore silent testimony to the size of the US's trade problem in the

The city claims its 'Dan Ryan Expressway' as the busiest stretch of highway in the US

mid 1960s, as rows of empty marine containers awaited shipment back to the west coast and on to the Orient to be refilled with imports. But, as the double-stack system has matured, and the international trade position has changed, the picture has modified.

First, the ocean shipping lines twigged that, even if it was difficult to fill up their containers for the westbound run across the Pacific, there was plenty of internal freight running from Chicago to California. With vast empty container capacity, which was going that way anyway, the ocean lines were able to undercut truckers and draw freight off the highway.

Recently, the impact of the cheaper dollar, making American exports more attractive overseas, has begun to be felt. Although the bulk commodities such as grain, which have constituted much of the surge in exports, are unsuited to transport in containers, other export goods, such as hides and electronics, are able to use double-stack trains. In recent months, for the first time since the double-stack system was established, there has been a shortage of containers in Chicago for westbound runs – due partly to a rise in exports originating in the Midwest.

With the double-stack network centred on Chicago now firmly entrenched for international trade, the railways are beginning to see the potential of the two-high container system for domestic freight. One of the first in has been Burlington Northern Railroad, which has just purchased 5,000 containers to establish a double-stack lane for domestic freight running between Chicago and the Pacific north-west states of Washington and Oregon. If, as seems likely, the domestic double-stack system takes off, it seems that once again Chicago will turn out to be the hub.

In addition to its central role in the railway network, Chicago is a focal point for other transport modes. The city lays claim to the busiest stretch of highway in the US (and probably the world) on Interstate 90/94, known in the city as the Dan Ryan Expressway. Some 190,000 cars and 35,000 trucks each day pound through the south-side ghettoes on this road, which links interstates fanning out to the north and west of Chicago with others striking south and east.

On the north-western borders of the city lies O'Hare, the busiest airport in the world.

Continued on next page

James Abbott on the economic magnetism of O'Hare Airport

The other wealth-generator

TRAVELLERS at Chicago's O'Hare airport eat 2.5m frankfurters a year. The new Terminal 1 has a ticketing pavilion as large as two American football fields. The baggage-handling facility can handle 480 bags a minute.

Such are the more arcane statistics of an airport that can only be described in superlatives. Chicago is used to boasting that it operates the busiest airport in the world – O'Hare field laid claim to this title in 1961, even before its terminal buildings had been dedicated, and true Chicagoans are convinced there has been no real challenge to that claim.

There was some dispute a couple of years ago: Atlanta's Hartsfield airport claimed the honour, saying that it ran more flights than O'Hare in 1987; but Chicago asserted superiority as it had more passengers. Last year O'Hare was ahead again on both counts, with over 800,000 flight operations, compared with Atlanta's 776,000, and over 26m departing passengers compared with fewer than 23m at Hartsfield.

O'Hare plays host to over 50 airlines, and the country's two largest US, United and American, operate hub-and-spoke systems based on the airport.

Unrivalled air services from points all over the country have meant that Chicago is favoured as a conference centre, and hotels have sprouted all round the airport perimeter. Other businesses that benefit from good air links for passengers or cargo have located near the airport. For the past quarter-century, the leading edge of economic growth in the Chicago area has been in concentric waves, lapping out to the north and west of the airport.

Corporate headquarters, shopping malls and residential districts have sprung up round the airport – to the extent that Stephen Wolf, president of United Airlines, says O'Hare is now "a strong contender with the Loop (the historic downtown district) for the title "Heart of Chicagoland".

Others go even further. "The most important economic generator in Chicago is not the financial industry, and it is not McCormick Place [the downtown conference centre] – it's the airport," argues Paul Karas, the former Commissioner of the City of Chicago's Department of Public Works, who now heads the $4.2bn redevelopment plan at New York's Kennedy airport. "Without a viable airport, you do not have a viable regional economy – it's as simple as that."

Glyn Genin

The 10-year programme's most dramatic development so far is United Airlines' new Terminal 1

The City of Chicago, O'Hare's owner, is mindful of the goose laying the golden egg on its north-western borders. The airport provides jobs for 185,000 people and pumps over $9bn annually into the regional economy. And this huge economic engine comes gratis to the city: local tax payments and landing fees paid by airlines total close to $200m each year, and Chicago's airport cost its taxpayers nothing.

The city has sought to keep O'Hare healthy by promoting expansion. The airport is partway through a $1.9bn, 10-year development programme that was initiated in 1983, and plans are being formulated for a similar follow-on programme.

The programme's most dramatic development so far is United Airlines' new Terminal 1, the "Terminal for Tomorrow". With a light and airy structure, architect Helmut Jahn set a standard in Terminal 1 for other airports to follow. The terminal building is linked to a concourse in the centre of the airfield by an underground walkway, which is enlivened by the world's largest neon sculpture, designed by Michael Hayden.

The standard of Jahn's work at O'Hare has not gone unnoticed: American Airlines has commissioned the architect to design the showpiece $500m terminal it plans to build at Kennedy airport, in New York.

At the design stage at O'Hare is a new international terminal, Terminal 5, which should be ready for use early in the next decade.

Matra, the French company which built the world's first unmanned rapid transit system in Lille, is building a similar system at O'Hare to ease movement around the airport. Come 1992, sleek mini-trains will shuttle between the terminals and the rental car sites and remote parking areas at speeds up to 45mph. (The airport is already linked to downtown by conventional rapid transit trains, which make the trip to the Loop in 35 minutes).

By the time the 10-year development plan is complete in 1993, the modernised O'Hare is expected to contribute more than $10bn a year to the local economy, and by then employment attributable to O'Hare will have risen to more than 230,000 jobs.

Nevertheless some storm clouds hang over the airport. Some observers do not think it is growing fast enough to maintain its lead. "Phase II of the development plan [not due to start until 1993] should be under way now," comments Paul Karas, the former city commissioner. He argues that other cities, seeing what a goldmine a successful airport has been for Chicago, will seize the initiative. Plans are afoot for expansion in Dallas, for instance, and Denver is toying with the idea of a completely new airport to capture lucrative conference business.

O'Hare has been slipping on the freight side as well, Karas argues. Leading air-freight companies have recently established hub operations in Ohio, Indiana and Tennessee, but none chose Chicago. O'Hare must find more room for cargo, Karas warns, as cargo is "the key to the off-airport economy".

Another problem of immediate concern is safety. The sky over O'Hare is now so crowded that air-traffic controllers are under more pressure there than almost anywhere else, and steps were taken last year to limit the number of take-offs in peak periods to improve safety margins. These pressures will ease when a long overdue modernisation of the national air traffic-control system gets under way, but there are doubts about the ability of O'Hare to go on growing.

Some observers, including President Bush's new Secretary of Transportation, Samuel Skinner, reckon that O'Hare and its smaller brother, Midway airport, are unlikely to have the ability to handle all Chicago's air traffic in the next century and are promoting the idea of a third Chicago airport.

The city, which fears that any new airport would have to be built outside the city limits, is joining forces with the airlines, which have invested heavily in the existing airports, in resisting this idea.

A visitor's guide

Music, history and festivals

WINTER is cold and snowy, summer hot and humid, with little respite between. The city makes the most of its warm weather to stage an array of outdoor festivals. It is also rich in culture, from its French Impressionists at the Art Institute to one of the finest symphony orchestras in the world, and a history of modern architecture can be gleaned from just wandering the streets.

□ HOTELS

The **Drake** *(tel 787 2200)* and the **Mayfair Regent** *(787 8500)* reign supreme among Chicago's hotels, with their view of Lake Michigan and location at the head of the quality shopping street. Rates *start at $160 to $185 a night* at both, which are a short taxi-ride from the main Loop *business district.*

The **Park Hyatt** *(282 2222)*, also on Michigan Avenue, stresses its personal service and trades on its "European" atmosphere. Just north of the Loop, one of the city's newer hotels, the **Nikko** *(744 1900)* offers Japanese as well as American-style rooms. Single-room rates start at $165 a night.

In the centre of the downtown Loop, the huge **Palmer House** *(726 7500)* offers rooms starting at $110, and the **Fairmont**, a new modern hotel *(565 8000)* has weekday rates starting at $160 a night.

□ RESTAURANTS

Colourful restaurants are to be found in ethnic neighbourhoods, such as the Italian cafes on Taylor Street and the Greek tavernas in Greektown, on South Halsted Street. But the Loop has some distinctive eating places of its own.

Prairie *(tel 663 1143)* is one of the city's most popular new restaurants, and is located just south of the Loop in the yuppie, restored Printer's Row area. The restaurant sticks to its Midwest traditions: the interior is decorated in Frank Lloyd Wright themes, and the menu offers such hearty fare as grilled buffalo steak.

For midwestern-style fast food that is not shy of its cholestoral count, Ed **Debevic's** *(664 1707)* has attracted a cult following. At 640 N Wells Street, the burger joint is modelled on a 1950s diner, serving burgers, meatloaf and hot dogs. The city's famous deep-pan pizza can be sampled at **Gino's East Pizzeria** *(943 1124)* just off Michigan Avenue at 160 *E Superior.*

Shaw's Crab House *(527 2722)* with its wide range of seafood and San Francisco-style bar, and the **Berghoff** *(427 3170)* with its solid German fare, are popular meeting places for business lunches.

□ ENTERTAINMENT

Chicago has a wide range of theatres, including a number of "alternative" venues where the standard can vary. The **Goodman Theatre** *(tel 443 3800)* in the Loop usually offers some serious drama. **Second City** is Chicago's established venue for comedy and satire, usually taking a shot at current political issues.

The city is famed for its blues clubs which feature a range of local talent. One of the closest to the Loop is **Blue Chicago** *(642 6261)* on State Street. Farther north, in Chicago's Lincoln Park area, **Kingston Mines** *(477 4646)* and **Blues** *(582 1012)* face each other across N Halsted Street.

Sir Georg Solti: tickets can be scarce

The **Chicago Symphony** *(435 6122)* is extremely popular, and tickets are often hard to come by, particularly as Sir Georg Solti nears retirement. Every year during August, the city hosts a classical musical festival at Ravinia, a northern suburb.

Chicago is a living lesson in modern architecture, and the city's **Archi-Center** *(782 1776)* runs daily walking tours with a guide. The **Art Institute** stages a range of exhibitions, and the **Field Museum of Natural History** has just opened the largest Egyptian exhibit outside Cairo.

□ SPORT

The renowned **Chicago Bears** football team and their colourful coach, Mike Ditka, are a city institution and attract a huge crowd at their cavernous Soldier Field stadium.

The city's two baseball teams have not built such a record of success, but still have a large following in the city. The **Chicago Cubs** play on the north side at Wrigley *Field, which last year gained* the distinction of becoming the last baseball stadium in the US to install lighting for night games. The **White Sox** are in the process of constructing a new stadium on the south side.

□ TRANSPORT

Driving in Chicago is made easy by a network of freeways that dissect the city and bind the suburbs with the Loop. Downtown taxis are cheap and numerous, but a trip to the sprawling suburbs demands a car.

A taxi from O'Hare airport to the city centre takes about 30 minutes if the traffic is not bad – which it frequently is – and costs around $30. A cheaper way is by the metro system of elevated trains, abbreviated to the "El", which provides a link between the airport and the Loop. The El costs a flat rate of $1, as do downtown buses.

Deborah Hargreaves

Double-deck freight

Continued from page 4

While 150,000 passengers a day file through its gates, O'Hare is also a major air-freight centre. Handling over 300,000 tons of freight each year, O'Hare ranks alongside Los Angeles as a cargo centre. Only Memphis, hub in the Federal Express air-freight centre, handles decisively more. There are worries, though, that unless more space can be found at O'Hare for cargo, Chicago's relative importance in this area will slip.

In waterborne freight Chicago has already seen its role as a cargo centre decline. The tortuous passage of the St Lawrence Seaway and the Great Lakes takes too long for time-sensitive freight, and the Seaway, built in the 1950s, is too small for today's large ships.

A modest amount of grain goes out through the Lakes, and some British steel is imported through the Illinois International Port at Lake Calumet, on Chicago's south side. The port also sends bagged US-aid grain for the Third World in barges down the Illinois river and the Mississippi to New Orleans.

James Abbott

FT UNIT TRUST INFORMATION SERVICE

● For Current Unit Trust Prices on any telephone ring direct-0836 4 + five digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

AUTHORISED UNIT TRUSTS

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Abbey Unit Tst Mngrs (1200)H						
80 Holdenhurst Rd, Bournemouth 0345 717373						
High Income						
American Income	6	47.61	48.07	51.13	5.36	40000
Gilts & Fixed Int	6	111.40	111.40	118.30	8.45	40001
High Inc Equity	6	128.80	131.80	140.2	4.53	40002
Worldwide Bond	6	187.20	187.80	[illegible]	4.87	40003
Capital Growth						
American Growth	6	160.90	163.00	173.30	1.67	40004
Asian Pacific	6	86.66	88.52	94.16	9.10	40005
Assets & Earnings	6	159.30	159.30	169.40	2.70	40006
Capital Reserve Acc	0	84.05	84.05	84.10	4.79	40007
Commodity & Energy	6	95.52	95.52	102.30	0.00	40008
1992 Enterprise	6	54.90	55.74	59.29	3.04	40597
European Capital	6	79.39	79.75	85.06	[illegible]	40009
General	6	171.70	171.10	183.00	2.46	40010
Japan	6	106.10	105.00	114.80	0.00	40011
Mastertrust	6	80.58	80.58	86.19	1.27	40012
UK Growth Acc	6	198.00	206.50	219.60	1.39	40013
UK Growth Dist	6	132.00	137.60	146.50	1.42	40014
US Emerging Cos	6	47.05	48.82	51.93	0.00	40015
Income & Growth	6	285.70	292.00	310.60	3.30	40016
Ethical	6	43.47	49.61	52.77	2.37	40017
Abtrust Management Ltd (1000)H						
10 Queens Terrace Aberdeen AB9 1QJ 0800 833580						
Amer Inc & Growth	5	26.79	26.79	28.59	4.34	40019
European	5¼	56.99	56.99	60.83	0.00	40025
European Income	5¼	55.60	55.60	59.36	1.39	41577
Exempt	1	770.2	770.2	803.6	3.54	41579
Extra Income	5	41.53	41.53	44.33	4.47	40021

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Barrage Unit Tst Mangmt Ltd (0905)F						
117 Fenchurch St, London EC3M 5AL 01-480 7216						
Sh Old Gilt & FI	1¼	52.46	52.46	53.21	11.37	40216
CCL Unit Trusts Ltd (1400)F						
74 Shepherds Bush Green, W12 8SD 01-740 7070						
UK General Tst	5½	52.2	53.01	56.7	2.70	40217
Global Tst	5½	40.93	41.08	43.93	2.30	40218
Recovery Tst	5½	54.48	56.77	60.39	2.61	40219
CIBC Unit Tst Managers plc (1200)H						
Cottons Ctr Cottons Lane, Ldn. SE1 2QL 01 234 6000						
Growth Fd Acc	5	103.0	104.4	110.1	3.78	40220
CS Fund Managers Limited (1000)H						
125 High Holborn, London WC1V 6PY 01-242 1148						
CS America	5	53.63	53.63	57.05	0.71	40221
CS International	5	53.53	53.53	56.94	2.00	40222
CS Japan	5	122.7	122.7	130.5	0.32	40223
CS Portfolio Inv	5	69.67	69.67	74.11	1.71	40224
Canada Life Unit Tst Mgrs Ltd (1200)F						
2-6 High St, Potters Bar, Herts 0707 51122						
Can Gen Dist	5	134.4	139.4	146.7	3.15	40225
Do Gen Accum	5	224.2	232.5	244.8	3.15	40226
Do Income Dist	5	93.41	97.21	102.3	5.50	40227
Do Inc Accum	5	209.9	218.4	229.9	5.50	40228
Gilt & Fxd Int	5	36.15	36.23	38.14	9.42	40229
Cannon Fund Managers Ltd (0700)H						
1 Olympic Way, Wembley, HA9 0NB 01-902 8876 Dealing 0800 282621						
Growth	5⅞	36.94	37.49	39.88	2.57	40230
Income	5⅞	46.58	47.41	50.44	4.12	40231
Far East	5⅞	34.93	35.61	37.88	0.17	40232
North American	5⅞	29.16	29.59	31.48	0.66	40233
Global	5⅞	47.81	48.66	51.79	0.66	40234
European	5⅞	46.10	48.64	51.96	1.03	40235
Japan	5⅞	99.76	101.5	108.0	0.01	40236
Intl Currency Bd	5⅞	41.30	41.30	43.84	6.00	40237
Strategic Opps	5⅞	54.66	56.71	60.33	1.24	40257

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Scottish Life Investments (1200)H						
19 St Andrew Sq, Edinburgh 031-225 2211						
Nelson (UK)	5	233.1	233.7	249.9	3.17	41334
Columbus (US)	5	150.1	150.2	160.6	1.37	41335
Marco Polo (Pac)	5	237.8	242.3	259.1	0.29	41336
Da Vinci (Eur)	5	262.9	269.7	288.3	1.43	41337
Drake (W'w)	5	59.07	59.77	63.92	0.91	41338
Scottish Mutual Inv Mngrs Ltd (1000)F						
109 St Vincent St, Glasgow G2 5HN 041-248 6100						
UK Equity	5¼	235.7	242.2	257.7	2.88	41339
UK Smlr Cos Eqy	5¼	232.5	241.5	257.0	2.50	41340
UK Spec Sits	5¼	70.37	72.16	76.77	3.07	41341
Income Plus	5¼	60.35	61.67	65.61	5.33	41342
European	5¼	204.7	210.1	223.6	1.28	41343
Far Eastern	5¼	69.69	71.11	75.65	2.96	41344
Japanese	5¼	63.47	64.82	68.96	0.00	41345
North American	5¼	128.6	130.0	138.4	1.64	41346
Intl Growth	5¼	126.2	128.6	136.9	0.95	41347
Worldwide Venture	5¼	59.18	60.50	64.37	2.67	41348
Scottish Provident Inv Mgt Ltd (1000)F						
6 St Andrew Sq, Edinburgh EH2 2YA 031-558 2327						
Equity Growth Acc	6	18.39	18.62	19.93	3.36	41349
Equity Growth Inc	6	17.76	17.99	19.25	3.36	41350
Intl Growth Acc	6	19.95	20.30	21.73	0.67	41351
Intl Growth Inc	6	19.60	19.95	21.35	0.67	41352
Global Income Acc	6	20.30	20.46	21.90	5.16	41353
Global Income Inc	6	19.19	19.35	20.71	5.16	41354
Market Leaders Acc	6	17.71	17.85	19.10	3.76	41355
Market Leaders Inc	6	16.95	17.08	18.28	3.76	41356
Scottish Widows' Fund Mngmt (0659)H						
PO Box 902, Edinburgh EH16 5BU 031-655 3724						
Peg Equity Acc	5	364.4	366.5	389.9	3.77	41363
Peg Equity Inc	5	273.4	275.1	314.0	3.77	41364
Peg High Inc Acc	5	183.1	185.1	196.9	5.03	41365
Peg High Inc	5	163.6	165.3	175.9	5.03	41366
Peg Europe Acc	5	153.2	153.2	163.0	1.18	41367
Peg Europe Inc	5	150.8	150.8	160.4	1.18	41368
Peg Nth Amer Acc	5	102.4	102.8	109.3	1.71	41369
Peg Nth Amer Inc	5	99.09	99.42	105.8	1.71	41370
Peg Pacific Acc	5	269.7	272.4	289.8	–	41371
Peg Global Acc	5	140.8	140.8	149.8	1.75	41372
Peg Global Inc	5	135.6	135.6	144.3	1.75	41373
Sentinel Funds Mangmt Ltd (1000)F						
(See Abtrust Mngmt Ltd)						

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ψ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♦ - 1401 to 1700 hours; ♦ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

Other explanatory notes contained in last column of the FT Unit Trust information pages.

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Unit Name	Init Chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-line
Windsor Trust Mngrs Ltd (1200)F						
83 Kingsway, London, WC2B 6SD						01-405 8331
Convibl & Equity	5	63.52	66.27	70.50	6.68	41399
European	5	60.79	61.32	65.25	0.24	[illegible]
Far Eastern	5	56.45	56.31	60.12	0.99	[illegible]
Growth Inc	5	86.11	91.28	97.10	1.49	41400
Growth Acc	5	86.11	91.28	97.10	1.48	—
Income Inc	5	81.43	83.31	88.63	5.61	41401
Income Acc	5	81.43	83.31	88.63	5.41	—
Property Share	5	55.13	55.33	58.96	1.12	41402
Smaller Co's	5	62.28	62.28	66.25	1.47	41403
Formerly RBC Trust Managers Ltd						
Nth American	5	54.63	54.65	58.42	1.86	40289
International	5	43.69	43.69	46.71	1.52	41290
Wright Seligman Fund Mngrs Ltd (1000)H						
11 Bloomfield St, London EC2M 7AY						01-588 0592
Growth	5	94.88	94.88	97.88	5.92	41404
Weekly dealing day Tuesday						
The Yorkshire Unit Tst Mngrs Ltd (1100)F						
Woodsome Pk, Fenay Bdge, Huddersfield						0484 602258
Yorkshire General	5¼	61.50	63.25	67.93	3.01	41405
YUTM Yt Exp Inc Ts	5¼	58.92	60.99	64.28	4.70	41406
YUTM Ind Cash Tst	5¼	46.61	46.61	49.75	1.10	41195

OTHER UK UNIT TRUSTS

Baillie Gifford & Co Ltd					
Int'l Expt Feb 15	428.8	445.3		—	40105
Cent. Bd. of Fin. of Church of England					
2 Fore Street, London EC2Y 5AQ					01-588 1815
Inv Fund Mar 31		498.00		4.76	40251
Fxd Int Sec Mar 31		142.20		10.06	40252
Deposit Mar 31		100.00		12.56	40253
Charities Official Invest. Funds					
2 Fore Street, London EC2Y 5AQ					01-588 1815
Income Mar 31		472.94		5.05	40258
Accum Mar 31		1541.14		—	40259
Edinburgh Fund Mngrs PLC					
Exempt Funds					
American Apr 5	125.3	128.7		1.75	40368
Managed Apr 5	127.6	132.4		2.17	40369
Japan Apr 6	139.7	143.5		0.10	40370
Pacific Apr 7	426.5	438.2		0.2	40371
Sm Jap Cos Apr 7	259.2	264.3		0.10	40372

	Bid Price	Offer Price	Yield Gross	City-line
Allied Dunbar Assurance Plc				
Allied Dunbar Ctr, Swindon SN1 1EL				0793 514514
Fixed Int. Dep. Acc	257.3	270.9	—	41723
Equity Acc	818.3	861.4	—	41724
Property Acc	485.6	511.2	—	41725
Far East Acc	195.2	205.5	—	41726
European Acc	21.1	22.3	—	41727
Managed Acc	647.7	681.8	—	41728
Managed Cap	360.6	380.0	—	41729
D'mas Earnings Acc	545.9	574.7	—	41730
Gilt Edged Acc	312.3	328.8	—	41731
American Equity Acc	413.2	435.0	—	41732
American Man Acc	192.6	202.8	—	41733
American Prop Acc	138.6	145.9	—	41734
Pen.F.I.Dep.Cap	283.2	298.1	—	41735
Pen.F.I.Dep.Acc	482.1	507.5	—	41736
Pen. Prop. Cap	569.1	599.1	—	41737
Pen. Prop. Acc	1069.7	1126.0	—	41738
Pen. Man. Cap	786.9	828.4	—	41739
Pen. Man. Acc	1478.4	1556.3	—	41740
Pen.Gilt Edg.Cap	313.4	329.9	—	41741
Pen. Gilt Edg. Acc	481.0	506.4	—	41742
Pen. Eq. Cap	1284.4	1352.1	—	41743
Pen. Eq. Acc	1829.0	1925.3	—	41744
Pen. Am. Eq Cap	130.8	137.7	—	41745
Pen. Am. Eq Acc	156.9	165.2	—	41746
Pen. Far East Cap	233.6	245.9	—	41747
Pen. Far East Acc	280.3	295.1	—	41748
Pen. Euro Cap	23.7	25.0	—	41749
Pen. Euro. Acc	25.6	27.0	—	41750
Pen. B.S. Acc	525.5	552.9	—	41751
Pen. B.S. Cap	317.9	334.9	—	41752
Pen. D.A.F. Acc	369.3	389.3	—	41753
Pen. D.A.F. Cap	238.4	250.4	—	41754
Pen. Mortgage Cap	142.2	149.7	—	41755
Pen. Mortgage Acc	170.7	179.7	—	41756
Baring Funds				
Pen Equ Cap	26.8	28.3	—	46176
Pen Equ Acc	27.7	29.2	—	46177
Pen Am Eq Cap	28.5	30.1	—	46178
Pen Am Eq Acc	29.6	31.2	—	46179
Pen Far East Cap	29.5	31.1	—	46180
Pen Far East Acc	30.4	32.1	—	46181
Pen Euro Cap	32.3	34.0	—	46182
Pen Euro Acc	33.4	35.2	—	46183
James Capel Funds				
Pen Equ Cap	28.2	29.7	—	46184
Pen Equ Acc	29.1	30.7	—	46185
Pen Am Eq Cap	28.6	30.2	—	46186
Pen Am Eq Acc	29.6	31.2	—	46187
Pen Far East Cap	29.1	30.7	—	46188
Pen Far East Acc	30.2	31.8	—	46189
Pen Euro Cap	29.2	30.8	—	46190
Pen Euro Acc	30.2	31.8	—	46191

INSURANCES

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

● For Current Unit Trust Prices on any telephone ring direct-0836 4 + five digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

	Bid Price	Offer Price	Yield Gross	City-line
Pioneer Mutual Insurance Co Ltd				
16 Crosby Rd, N Waterloo Liverpool				051-928 6655
Managed Fund	293.4	308.9	–	43272
Man Pens Inc & Cap Fds	384.9	405.2	–	43273
Money Fund	118.2	124.5	–	43274
Pens Mngd Fd (Init)	102.0	107.4	–	43275
Pens Mngd Fd (Acc)	122.3	128.8	–	43276
Pens FT30 Fd (Init)	142.6	150.2	–	43277
Pens FT30 Fd (Acc)	170.9	179.9	–	43278
Pens O'seas MgFd(Init)	71.7	75.5	–	43279
Pens O'seas MgFd(Acc)	86.0	90.6	–	43280
Pens Fxd Int Fd (Init)	104.4	109.9	–	43281
Pens Fxd Int Fd (Acc)	125.2	131.8	–	43282
Pens Deposit Fd (Init)	104.1	109.6	–	43283
Pens Deposit Fd (Acc)	124.7	131.3	–	43284
Premium Life Assurance Co Ltd				
37-39, Perrymount Road, Haywards Heath				0444 458721
American	111.0	117.0	–	43285
Building Soc. Fd.	169.0	178.0	–	43286
Balanced	274.0	289.0	–	43287
European	158.0	167.0	–	43289
GT Managed	175.0	185.0	–	43290
Gartmore Mngd	112.0	118.0	–	43291
German	107.0	113.0	–	43292
Gilt	175.0	185.0	–	43293
Global	48.0	51.0	–	–
High Inc.	116.0	123.0	–	43294
International Equity	181.0	191.0	–	43295
Japan	240.0	253.0	–	43296
Managed	62.0	66.0	–	43297
Property	276.0	291.0	–	43298
R. W. Imperial Gold	134.0	142.0	–	43299
UK Equity	366.0	386.0	–	43300
Pension Funds				
American	138.0	146.0	–	43301
Building Soc. Fd.	168.0	177.0	–	43302
Balanced	212.0	224.0	–	43303
European	158.0	167.0	–	43305
German	98.0	104.0	–	43308
Gilt	148.0	156.0	–	43309
International Equity	135.0	143.0	–	43310
Japan	137.0	145.0	–	43311
Managed	63.0	67.0	–	43312
Property	213.0	225.0	–	43313
UK Equity	328.0	346.0	–	43314

	Bid Price	Offer Price	Yield Gross	City-line
Prudential Holborn Pensions Ltd				
30 Old Burlington St, London W1X 1LB				01-439 3134
Managed	536.2	564.5	–	43524
Equity	776.0	816.9	–	43525
Global Equity	220.3	231.9	–	43526
Fixed Interest	396.8	417.7	–	43527
Property	379.5	399.5	–	43528
Cash	153.0	161.1	–	43529
Index Linked Gilt	194.8	205.1	–	43530
Guaranteed	12.96		–	43531
International Money	197.2	207.6	–	43532
North American	60.7	63.9	–	43533
Japanese	133.6	140.7	–	43534
European	83.6	88.1	–	43535
Special Situations	112.0	117.9	–	43536
Communications	94.3	99.3	–	43537
Smaller Companies	105.9	111.5	–	43538
International Small Cos	116.9	123.1	–	46559
Prudential Pensions Limited				
Holborn Bars, London EC1N 2NH				01-405 9222
Discretionary Mar 29	£146.94	154.09	–	43539
Equity Mar 29	£164.06	170.08	–	43540
International Mar 29	£23.87	24.59	–	43541
Intl Bond Mar 29	£11.41	11.57	–	43542
Fixed Int. Mar 29	£71.51	72.47	–	43543
Index Linked Mar 29	£60.42	61.16	–	43544
Property Mar 29	£106.30	112.70	–	43545
Cash Mar 29	£28.4200	28.4200	–	43546
Pru-Linked Retirement Plan				
Managed Apr 5	370.2	385.7	–	43547
Cash Apr 5	191.9	199.9	–	43548
Prudential Pensions Investment Account				
Pens Mngd Apr 7	149.0	156.9	–	43549
Pens UK Eq Apr 7	286.8	301.9	–	43550
Pens Intl Apr 7	172.6	181.7	–	43551
Pens Fixed Apr 7	163.1	171.7	–	43552
Pens Index Lk Apr 7	153.2	161.3	–	43553
Pens Cash Apr 7	125.5	132.2	–	43554
Regency Life Assurance Co Ltd				
Regency Hse, Lanark Sq, London E14 9XS				01-538 8800
Aggressive Ptflio Fd.	114.7	120.7	–	43555

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

JERSEY (SIB RECOGNISED)

IoM (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

SWITZERLAND (SIB RECOGNISED)

BERMUDA AUTHORISED

JERSEY (**)

GUERNSEY (**)

FT UNIT TRUST INFORMATION SERVICE

ISLE OF MAN (**)

LUXEMBOURG (**)

OFFSHORE INSURANCES

OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

BRITISH FUNDS

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
	"Shorts" (Lives up to Five Years)					
855	Treas 9½pc Cnv 1989..	99[illegible]	–	13.3	18 Oct 18 Apr	1348
500	Treas 3pc 1989	99½	9.59	10.10	15 Nov 15 May	1327
1,400	Treas 10½pc 1989	99[illegible]	12.49	7.11	14 Dec 14 Jun	1287
2,400	Exch 10pc 1989	99[illegible]	12.52	28.12	1 Feb 1 Aug	1250
2,000	Exch 11pc 1989	99¼	12.54	20.2	29 Mar 29 Sep	1256
601	Treas 5pc 1986–89	97[illegible]	10.57	9.3	15 Apr 15 Oct	1329
174	Exch 10¼pcCv '89	99[illegible]	11.15	10.10	15 May 15 Nov	1255
1,000	Treas 13pc 1990‡‡	100[illegible]	12.14	9.12	15 Jul 15 Jan	1300
1,400	Exch 11pc 1990‡‡	99[illegible]	12.12	6.1	12 Aug 12 Feb	1257
1,250	Exch. 12½pc 1990	100[illegible]	12.19	13.2	22 Sep 22 Mar	1262
550	Treas. 3pc 1990	93[illegible]	9.76	3.4	8 Nov 8 May	1325
600	Treas 8¼pc 1987–90‡‡	96	11.85	8.11	15 Dec 15 Jun	1340
955	Treas. 8pc Cv 1990 ‡‡	96[illegible]	11.51	12.12	16 Jul 16 Jan	4680
1,887	Treas. 10pcCv 1990	97[illegible]	11.82	20.3	25 Apr 25 Oct	1285
500	Exch 2½pc 1990	89[illegible]	9.59	17.10	22 May 22 Nov	1270
2,200	Treas 11¾pc 1991	100	11.69	5.12	10 Jul 10 Jan	1292
400	Funding 5¾pc '87–91‡‡	91[illegible]	10.61	1.3	5 Oct 5 Apr	1275
400	Treas. 3pc 1991	87[illegible]	9.61	6.4	13 Nov 13 May	1326
646	Treas 10pc Cv '91 ‡‡	97[illegible]	11.37	6.12	12 Jan 12 Jul	1286
1,550	Exch. 11pc 1991	99[illegible]	11.[illegible]	20.3	25 Apr 25 Oct	1258
1,350	Treas. 8pc 1991	92¼	11.43	3.11	10 Jun 10 Dec	1335
900	Treas 12¾pc 1992‡‡	103[illegible]	11.09	16.12	22 Jul 22 Jan	1297
1,600	Treas 10pc 1992	97[illegible]	11.18	16.1	21 Aug 21 Feb	1283
1,400	Treas. 8pc 1992 ‡‡	92[illegible]	11.15	7.3	13 Oct 13 Apr	1337
1,288	Treas 10½pc Cv 1992‡‡	98[illegible]	11.12	31.3	7 Nov 7 May	1289
500	Treas. 3pc 1992	83[illegible]	9.02	4.11	11 Dec 11 Jun	1328
1,350	Exch. 12¼pc '92	103[illegible]	11.12	19.1	25 Feb 25 Aug	1265
1,757	Exch 13½pc 1992	106[illegible]	11.05	13.2	22 Mar 22 Sep	1266
950	Treas 8¼pc 1993	91[illegible]	10.94	17.1	18 Aug 18 Feb	–
1,850	Treas 10pc 1993‡‡	97[illegible]	10.80	9.3	15 Oct 15 Apr	1279
1,100	Treas 12½pc 1993‡‡	105[illegible]	10.84	8.12	14 Jan 14 Jul	1296
600	Funding 6pc 1993‡‡	85¼	9.97	6.2	15 Mar 15 Sep	1276
1,250	Treas 13¾pc 1993‡‡	110½	10.81	17.10	23 May 23 Nov	1304
1,050	Treas. 8½pc 1994	91[illegible]	10.78	28.12	3 Aug 3 Feb	–
600	Treas 14½pc 1994‡‡	114½	10.60	23.1	1 Sep 1 Mar	1307

Five to Fifteen Years

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
1,100	Exch 13½pc 1994	118[illegible]	10.80	21.3	27 Oct 27 Apr	1267
[illegible]	[illegible]	[illegible]	[illegible]	2.11	9 Dec 9 Jun	1284
[illegible]	[illegible]	[illegible]	[illegible]	16.1	22 Feb 22 Aug	1263
[illegible]	[illegible]	[illegible]	[illegible]	11.10	17 May 17 Nov	1345
[illegible]	[illegible]	[illegible]	[illegible]	19.12	25 Jul 25 Jan	1294
[illegible]	[illegible]	[illegible]	[illegible]	28.3	1 Nov 1 May	1271
[illegible]	[illegible]	[illegible]	[illegible]	15.12	21 Jan 21 Jul	1254
[illegible]	[illegible]	[illegible]	[illegible]	10.10	15 May 15 Nov	1298
[illegible]	[illegible]	[illegible]	[illegible]	16.12	22 Jul 22 Jan	1305
[illegible]	[illegible]	[illegible]	[illegible]	6.2	15 Sep 15 Mar	1344
[illegible]	[illegible]	[illegible]	[illegible]	28.3	3 Nov 3 May	1309
[illegible]	[illegible]	[illegible]	[illegible]	10.10	15 Nov 15 May	1268
[illegible]	[illegible]	[illegible]	[illegible]	10.10	15 May 15 Nov	1240
[illegible]	[illegible]	[illegible]	[illegible]	16.12	22 Jul 22 Jan	1302
[illegible]	[illegible]	[illegible]	[illegible]	16.1	21 Aug 21 Feb	1253
[illegible]	[illegible]	[illegible]	[illegible]	23.1	1 Mar 1 Sep	1341
[illegible]	[illegible]	[illegible]	[illegible]	21.3	27 Apr 27 Oct	1269
[illegible]	[illegible]	[illegible]	[illegible]	13.12	19 Jul 19 Jan	1273
[illegible]	[illegible]	[illegible]	[illegible]	28.3	1 Nov 1 May	1331
[illegible]	[illegible]	[illegible]	[illegible]	21.2	30 Mar 30 Sep	1308
[illegible]	[illegible]	[illegible]	[illegible]	14.10	20 May 20 Nov	1259
[illegible]	[illegible]	[illegible]	[illegible]	9.12	15 Jul 15 Jan	1347
[illegible]	[illegible]	[illegible]	[illegible]	17.2	26 Sep 26 Mar	1264
[illegible]	[illegible]	[illegible]	[illegible]	13.10	19 Nov 19 May	1288
[illegible]	[illegible]	[illegible]	[illegible]	17.10	22 May 22 Nov	1242
[illegible]	[illegible]	[illegible]	[illegible]	22.12	28 Jan 28 Jul	1338
[illegible]	[illegible]	[illegible]	[illegible]	25.1	3 Sep 3 Mar	1244
[illegible]	[illegible]	[illegible]	[illegible]	8.12	14 Jan 14 Jul	1299
[illegible]	[illegible]	[illegible]	[illegible]	20.1	26 Aug 26 Feb	1280
[illegible]	[illegible]	[illegible]	[illegible]	17.10	22 Nov 22 May	1306
[illegible]	[illegible]	[illegible]	[illegible]	4.1	10 Feb 10 Aug	1248
[illegible]	[illegible]	[illegible]	[illegible]	16.12	22 Jul 22 Jan	1261
[illegible]	[illegible]	[illegible]	[illegible]	6.3	11 Oct 11 Apr	1241
[illegible]	[illegible]	[illegible]	[illegible]	23.1	27 Feb 27 Aug	1349
[illegible]	[illegible]	[illegible]	[illegible]	13.10	19 May 19 Nov	1272
[illegible]	[illegible]	[illegible]	[illegible]	19.12	25 Jan 25 Jul	1303
[illegible]	[illegible]	[illegible]	[illegible]	30.1	8 Mar 8 Sep	1281
[illegible]	[illegible]	[illegible]	[illegible]	10.2	19 Sep 19 Mar	1290

Over Fifteen Years

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
[illegible]	[illegible]	[illegible]	[illegible]	12.10	18 Nov 18 May	1282
[illegible]	[illegible]	[illegible]	[illegible]	8.12	14 Jan 14 Jul	1274
[illegible]	[illegible]	[illegible]	[illegible]	20.3	25 Apr 25 Oct	1246
[illegible]	[illegible]	[illegible]	[illegible]	13.3	18 Oct 18 Apr	1247
[illegible]	[illegible]	[illegible]	[illegible]	13.2	20 Mar 20 Sep	1251
[illegible]	[illegible]	[illegible]	[illegible]	17.10	21 May 21 Nov	1295
[illegible]	[illegible]	[illegible]	[illegible]	1.3	5 Apr 5 Oct	1334
[illegible]	[illegible]	[illegible]	[illegible]	10.10	15 May 15 Nov	1249
[illegible]	[illegible]	[illegible]	[illegible]	16.12	22 Jul 22 Jan	1293
[illegible]	[illegible]	[illegible]	[illegible]	12.12	16 Jan 16 Jul	1339
[illegible]	[illegible]	[illegible]	[illegible]	17.2	26 Sep 26 Mar	1301
[illegible]	[illegible]	[illegible]	[illegible]	7.3	13 Apr 13 Oct	1343
[illegible]	[illegible]	[illegible]	[illegible]	16.2	25 Mar 25 Sep	1336
[illegible]	[illegible]	[illegible]	[illegible]	6.12	12 Jan 12 Jul	1245
[illegible]	[illegible]	[illegible]	[illegible]	1.2	10 Mar 10 Sep	1330
[illegible]	[illegible]	[illegible]	[illegible]	20.12	26 Jul 26 Jan	1332
[illegible]	[illegible]	[illegible]	[illegible]	7.11	12 Jun 12 Dec	1260

BRITISH FUNDS—Contd

Undated

Amount £m	Stock
359	Consols 4pc
1,909	War Loan 3½pc‡‡
140	Conv. 3½pc '61 Aft
56	Treas. 3pc '66 Aft
276	Consols 2½pc
475	Treas. 2½pc

Index-Linked

(b)

Amount £m	Stock
500	Treas 2pc IL '90(84.6)
650	Do. 2pc '92‡‡(97.8)
400	Do. 2 '94 (102.9)
1,000	Do. 2pc '96(67.9)
900	Do 2½pc '01(78.3)
800	Do. 2½pc '03(78.8)
1,200	Do. 2pc '06(69.5)
950	Do. 2½pc '09(78.8)
1,350	Do. 2½pc '11(74.6)
1,100	Do. 2½pc '13(89.2)
1,700	Do. 2½pc '16(81.6)
1,400	Do. 2½pc '20(83.0)
900	Do. 2½pc '24‡‡(97.7)

**Prospective real redemption rate on projected inflation of 5%. (b) Figures in parentheses show RPI base month for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for July 1988:106.7 and for February 1989:111.8

INT. BANK AND O'SEAS

Amount £m	Stock
50	African Dv Bk 11¼ Ln 2010
100	Asian Dev Bk 10¼pcLn2009
100	Australia 13½pc 2010
100	Do. 11¾ pcLn2015
75	Euro Inv Bk 11pc Ln 2002
100	Do. 10⅝pc2004
75	Int-Am Dev Bk 12½pc 2003
175	Do. 9¼pcLn 2015
75	Mlysia 10¼pcLn 2009
50	Utd. Mexican States 16½pc 2008

CORPORATION LOANS

Amount £m	Stock
32	Birmingham 13½pc 1989
45	Do. 11½pc 2012
40	GLC 6¾pc 1990–92
40	Leeds 13½pc 2006
5	Liverpool 3½pc Irred
25	LCC 6¾pc '88–90
2½	Do. 3pc '20 Aft
7	Manchester 11½pc 2007

COMMONWEALTH & AFRICAN LOANS

Amount £m	Stock
14	NZ 7¼pc 1988–92
–	S Rhod 2½pc Non-Asstd.
4	Do. 4½pc 87–92 Asstd

LOANS

Building Societies

Amount £m	Stock
20	N'wide Anglia 9⅞pc 17.4.89
20	Do. 9½pc 8.5.89
20	Do. 8⅞pc 30.5.89
20	Do. 9⅞pc 26.6.89
20	Do. 10⅞pc 17.7.89
20	Do. 11¼pc 7.8.89
20	Do. 11⅞pc 29.8.89
20	Do. 12¼pc 18.9.89
20	Do. 12⅜pc 2.10.89
20	Do. 11⅞pc 6.11.89
20	Do. 12⅝pc 4.12.89
20	Do. 12⅞pc 2.1.90
20	Do. 12⅞pc 29.1.90
60	Do. 3⅞pcIL Ln 2021

Public Board and Ind.

Amount £m	Stock
3	Agric. Mt. 5pc '59–89
25	Met. Wtr. 3pc 'B'

FOREIGN BONDS & RAILS

Amount £m	Stock	Price £
7	Greek 7pc Ass	48
4	Do. 6pc 28 Stb. Ass	48[illegible]
–	Do 4pc Mixed Ass	40[illegible]
1	Hung. '24 Ass	80
40	Hydro Quebec 15pc 2011	133[illegible]
30	Iceland 14½pc Ln 2016	122[illegible]
30	Ireland 9¾pc '91–96	95[illegible]

AMERICANS

Continued on next page

PFC Internat'l Portfolio Fd Mngt Ltd

	Bid Price	Offer Price	Yield Gross	City-line
Specialist Growth Fd	$2.17	2.29	–	45583
Balanced Growth Fd	$2.02	2.13	–	45584
Sterling Income Fd	£1.47	1.55	–	45585
Strategic Reserve Fd	$1.03	1.09	–	45586

PRS International

	Bid Price	Offer Price	Yield Gross	City-line
PRS Value Fd	$976.61		–	45587

Pacific Growth Fund

	Bid Price	Offer Price	Yield Gross	City-line
NAV Apr 6	$18.67		–	45589

Money Market Trust Funds

Money Market Bank Accounts

LONDON SHARE SERVICE

● For Latest Share Prices on any telephone ring direct-0836 43 + four digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

CANADIANS

Market Cap. £m	Stock	Price £	Div Gross	Y'ld Gr's	Last xd	Dividends Paid	City-line
–	♥ABM Gold Corp ‖	135p	–	–	–	–	–
–	♥Abbot Energy Corp	18¼p	–	–	–	–	–
741.6	♥Amer. Barrick Res	12⅞	–	–	–	–	–
–	♥Amer Lightware ‖	2½p	–	–	–	–	–
–	♥Armeno	16p	–	–	–	–	–
–	♥Asiamerica ‖	108p	–	–	–	–	–
–	♥Augmitto Explo	23p	–	–	–	–	–
1,455.5	Bk Montreal ‖	14	$2.12	7.3	8 8	Fb My Ag Nv	–
1,174.3	Bk. Nova Scot. ‖	708p	84c	5.7	28 9	Ja Ap Ju Oc	–
4,930.9	BCE ‖	18¼	$2.44	6.4	13.3	Ap Jy Oc Ja	–
313.5	♥Bow Valley ‖	757p	♦40c	2.5	15.12	May Nov	–
899.6	♥Brascan ‖	13¼	88c	3.2	28 10	Ja Ap Jy Oc	–
40.4	♥Breakwater Res	188p	10c	2.7	–	–	–
2,044.3	Can Imp Bank ‖	13⅛	$1.16	4.3	29 6	Fe Mr Au No	–
3,466.4	Can. Pacific ‖	11⅞	76c	3.2	28.3	July Jan	–
19.4	Do. 4pc Deb £100	41½	4%	9.6	24.11	July Jan	2051
–	Central Capital "A" ‖	493p	–	–	–	–	–
–	♥Corona Corp	400p	–	–	–	–	–
53.8	♥Cons TVX Min	332p	–	–	–	–	–
–	♥Danbus Mem. Syst. ‖	20p	–	–	–	–	–
–	♥Derlan Inds. ‖	603p	11.75c	0.9	3 6	Mr Ju Se De	–
816.4	♥Echo Bay Mines	862p	$0.07	0.4	–	June Dec	–
–	♥ECO Corp ‖	437p	–	–	–	–	–
–	♥Energex Minerals ‖	11½p	–	–	–	–	–
66.8	♥Galactic Resources	224p	–	–	–	–	–
228.4	Gandalf Techs Inc	261p	–	–	–	–	5088
4.25	♥Geodome Res.	32p	–	–	–	–	–
30.1	Granges Explm ‖	138p	–	–	–	–	–
–	♥Gt Pacific Res.	17¼p	–	–	–	–	–
–	♥Gulf Canada ‖	726p	52c	3.4	26.3	Ja Ap Jy Oc	–
100.3	♥Hawker Sid Can ‖	12⅛	$1.08	4.2	15.11	Ap Jy Dc Ja	–
–	♥Henlys Group	529p	–	–	–	–	–
388.3	♥Hudson's Bay ‖	13	60c	2.2	2.10	Mr Jn Sp Dc	–
4,277.0	♥Imperial Oil ‖	26⅜	$1.80	3.3	26 11	Mr Je Se De	–
1,733.9	Inco ‖	16¼	s$0.80	2.8	2.11	Jan Ag J O.	–
–	♥Inland Nat. Gas $1	659p	60c	4.4	30 12	Fe Mr Au No	–
9.36	♥Madeleine Mines	160p	–	–	–	–	–
–	♥Muscocho Explm	177p	–	–	–	–	–
–	♥Nevada Goldfields	116p	–	–	–	–	–
501.0	♥Rio Algom	11¼	$1.30	5.3	5 11	June Dec	–
2,801.3	Royal Bk. Can. ‖	19½	$2.20	5.4	19 10	Mr Je Se De	–
4,088.9	Seagram ‖	40⅝	US$1.40	2.0	28.2	Se De Mr Je	–
–	♥Sonora Gold Corp ‖	91p	–	–	–	–	–
–	♥Spiral Eng ‖	79p	–	–	–	–	–
–	♥Taro Pure Tech Corp ‖	93½p	–	–	–	–	–
2,736.7	Toronto-Dom Bk ‖	18½	$1.12	2.9	20.3	F My Au No	–
981.9	♥Trans Can Pipe	783p	68c	4.1	1.12	Ja Ap Jy Oc	–
268.2	Varity Corp ‖	162p	–	–	11'77	–	–

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ENGINEERING

ENGINEERING – Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INDUSTRIALS (Miscel.) – Contd.

INSURANCES

LEISURE

هكذا من الأصل

هكذا منه الأصل

LONDON SHARE SERVICE

● For Latest Share Prices on any telephone ring direct-0836 43 + four digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

LEISURE—Contd

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES—Contd

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND—Contd

Finance, Land, etc

OIL AND GAS

OIL AND GAS—Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES—Contd

Tins

Miscellaneous

THIRD MARKET

Market Cap £m	Stock	Price						City line
1.40	Scott Pickford 10p y	20	3.1	20.7	–		–	5062
8.89	Seacon Hldgs. y	128xd	2.5	2.6	3.4		October	3968
1.06	Sonic Tape 2½p y	8½	–	–	–		–	5152
3.31	Staks Hldgs. 5p y	12	–	–	–		–	4625
3.56	Swanyard Studios 1p y	2½	–	–	–		–	4666
41.0	Takare y	470	1.0	0.3	27.2		–	4647
5.04	Tomorrows Leisure 20p y	45	–	–	–		–	4248
16.0	Tullow Oil 10p y	16	–	–	24.2		–	4886
4.43	UPL Group 10p y	110	L2.41	2.9	28.11		Dec. June	4362
7.23	Unit Group y	140	F7.5	7.1	28.11		Jan July	4357
25.9	Whitegate Leisure 20p y	30	–	–	–		–	1105
1.14	Do. Wrrnts y	17	–	–	–		–	1116
31.6	Wilton Group 1p y	9	–	–	–		–	3628

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date.
- ǁ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending s Dividend and yield exclude a special payment. t Indicated dividend. u Forecast, or estimated annualised dividend rate. v Subject to local tax. y Dividend and yield based on merger terms. z Dividend and yield include a special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xR ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p y	92	......
Craig & Rose £1 y	720	......
Finlay Pkg. 5p y	91	–2
Holt (Jos) 25p y	1280	+5

IRISH

Cap. 8½% Ln. 1991	£100⅞	......
9pc Cap Ln. 1995	£101	......
Fin. 13% 97/02	£120½	......
Arnotts	460	–10
Carrol (P.J.) y	154	......
Hall (R. & H.)	155	+5
Helton Hldgs y	74	......
Irish Ropes	170	......

TRADITIONAL OPTIONS
3-month call rates

Industrials

	p
Allied-Lyons	40
Amstrad	18
BAT	48
BOC Grp	36
BSR	7½
BTR	26
Barclays	34
Beecham	40
Blue Circle	39
Boots	20
Bowaters	38
Brit Aerospace	42
Brit. Telecom	21
Burton Ord	18
Cadburys	31
Charter Cons	45
Comm Union	28
Courtaulds	26
FKI Babcock	13
FNFC	21
Gen Accident	71
GEC	15
Glaxo	90
Grand Met	38
GUS 'A'	90
Guardian	16
GKN	28
Hanson	12
Hawker Sidd.	48
ICI	85
Jaguar	22
Ladbroke	38
Legal & Gen	26
Lex Service	34
Lloyds Bank	29
Lucas Inds	48
Marks & Spencer	15
Midland Bk	35
Morgan Grenfell	28
NEI	12
Nat West Bk	45
P & O Dfd	48
Plessey	15
Polly Peck	28
Racal Elect	25
RHM	32
Rank Org Ord	63
Reed Intnl	38
STC	24
Sears	13
TI	32
TSB	9
Tesco	12
Thorn EMI	55
Trust Houses	24
T&N	16
Unilever	42
Vickers	15
Wellcome	42

Property

Brit Land	30
Land Securities	52
MEPC	50

Oils

Brit Petroleum	21
Do. (P.Paid)	12
Burmah Oil	48
Calor	35
Charterhall	2½
Premier	9
Shell	85
Ultramar	21

Mines

Cons Gold	108
Lonrho	38
RTZ	40

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £985 per annum for each security.

CURRENCIES, MONEY AND CAPITAL MARKETS

CURRENCIES AND MONEY REVIEW

Swiss may follow the Danish path

THE SWISS have a lot to learn from the Danes, according to Mr Christopher Tinker, currency analyst at UBS Phillips and Drew. Switzerland and Denmark have one obvious thing in common at present: they have weak currencies, amid a general perception that their interest rates are too low to be competitive.

But the attitude of the monetary authorities in the two countries is rather different. Switzerland shows no sign of wishing to come to terms with this problem, and the belief in the market is that the Swiss franc will continue to weaken. Denmark, on the other hand appears to be addressing the weakness of its currency, although it has to be admitted that the Danish National Bank has only recently tightened its monetary stance.

The Danes had a change of heart after spending about DKr6bn in defending the krone during March. The currency has shown signs of recovery, after the central bank reduced the amount that commercial banks can borrow at a preferential rate of 8.5 per cent. This has forced banks to borrow more money on the open market, and has tended to push money market rates higher, which in turn has helped support the krone.

Mr William Ledward, at Nomura Research Institute, thinks it will be difficult for the central bank to cut the ceiling on commercial bank borrowing any further, and if there is renewed pressure on the krone this implies a rise in interest rates.

The Swiss franc has also been going through a period of weakness. On Friday the D-Mark was nudging up towards 0.88 Swiss francs, well above its long term trading range of 0.80-0.85 francs, indicating the underlying change in the relationship between the two currencies.

Indeed the trading range has probably changed to 0.85-0.90 francs. Morgan Grenfell believes the D-Mark is set to reach 0.90 francs within the next three months, but this may prove a conservative prediction unless Switzerland does something about the interest rate relationship between Zurich and Frankfurt.

Chase Investment Bank agrees there is a serious risk of a test of the 0.90 franc level. This is because real Swiss short term interest rates - taking into account inflation - are below real West German rates, and the Swiss National Bank has shown no indication that it wishes to support the franc with tighter monetary policy.

Yet the Swiss authorities may soon be forced into a change of heart, according to Ms Sabine Blümel at Morgan Grenfell. She suggests that the weakness of the Swiss currency is a result of the state of the real economy - amid rising inflationary pressure - and also because of a change in investor sentiment in the wake of more liberal capital controls within the European Community.

The freer movement of capital in general means investors are no longer prepared to accept traditionally low Swiss interest rates, a withholding tax on unearned income as high as 35 per cent and now a depreciating currency.

Mr Tinker says that the prospects of free capital flows around the EC after 1992 must be a negative factor for the Swiss franc. In addition, if Switzerland wishes to be seen as fitting in with its European trading partners, changes must be made is Swiss laws about secrecy involving bank accounts.

Switzerland's main problem in the future could be that it will not be able to maintain its position as an attractive haven for funds, and right now it is these large capital account surpluses which offset the country's visible trade deficits.

Colin Millham

£ IN NEW YORK

[illegible]

Forward premiums and discounts apply to the US dollar

STERLING INDEX

[illegible]

CURRENCY RATES

[illegible]

*All SDR rates are for Apr.6

CURRENCY MOVEMENTS

[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100)*Rates are for Apr 6.

OTHER CURRENCIES

[illegible]

*Selling rate

EURO-CURRENCY INTEREST RATES

[illegible]

EXCHANGE CROSS RATES

Apr.7	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.698	3.183	224.8	10.75	2.800	3.590	2334	2.006	66.60
$	0.589	1	1.875	132.4	6.331	1.649	2.114	1375	1.193	39.22
DM	0.314	0.533	1	70.63	3.377	0.880	1.128	733.3	0.637	20.92
YEN	4.448	7.553	14.16	1000.	47.82	12.46	15.97	10383	9.012	296.3
F Fr.	0.930	1.580	2.961	209.1	10.	2.605	3.340	2171	1.885	61.95
S Fr.	0.357	0.606	1.137	80.29	3.839	1	1.282	833.6	0.724	23.79
H Fl.	0.279	0.473	0.887	62.62	2.994	0.780	1	650.1	0.564	18.55
Lira	0.428	0.728	1.364	96.32	4.606	1.200	1.538	1000.	0.868	28.53
C $	0.494	0.838	1.571	111.0	5.306	1.382	1.772	1152	1	32.87
B Fr.	1.502	2.550	4.779	337.5	16.14	4.204	5.390	3505	3.042	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

POUND SPOT- FORWARD AGAINST THE POUND

[illegible]

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

[illegible]

MONEY MARKETS

Fears grow of 14% base rates

CLOUDS APPEAR to be gathering on the horizon for sterling interest rates, but the time the bad weather will take to reach London is open to some doubt.

The City has held the view that base rates might be forced up if rising international rates, coupled with Britain's fragile trade position, leads to a sudden weakening of sterling.

Friday's upward trend in market rates did not appear to be for that reason however, and may have reflecteda gradual change of view among economists. There have been voices suggesting the need for high base rates since before the Budget. The economic team at Chase Investment Bank has long warned of 15 per cent base rates, while Mr Roger Bootle, chief UK economist at Greenwell Montagu Research, has said 14 per cent is possible, but in general the City has believed that 13 per cent might be enough if the pound does not weaken significantly.

Last Friday S.G. Warburg Securities changed its forecast, and came round to the view that base rates will hit 14 per cent for domestic reasons. Mr Nigel Richardson at Warburg said inflation is likely to be as high as 6 per cent at the end of the year. He added there is a real risk of a wage and prices spiral, which the authorities will counter with higher base rates.

UK clearing bank base lending rate 13 per cent from November 25

Mr Richardson believes this may wait for one or two months. Mr Nick Parsons, economist at Union Discount, also believes base rates may hit 14 per cent in about a month. The problem is that the time scale is likely to shorten dramatically if this has now become the general view.

MONEY RATES

NEW YORK (4pm) Treasury Bills and Bonds

[illegible]

LONDON MONEY RATES

[illegible]

FT LONDON INTERBANK FIXING

[illegible]

BANK OF ENGLAND TREASURY BILL TENDER

[illegible]

WEEKLY CHANGE IN WORLD INTEREST RATES

[illegible]

NOTICE OF REDEMPTION

To the Holders of

QUEENSLAND COAL FINANCE LIMITED

(the "Company")

U.S. $400,000,000
Guaranteed Floating Rate Notes
Due May 1996 (the "Notes")

[illegible]

QUEENSLAND COAL FINANCE LIMITED

By: The Bank of Tokyo Trust Company
as Principal Paying Agent

Dated: April 10, 1989

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

[illegible]

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EUROPEAN OPTIONS EXCHANGE

[illegible]

TOTAL VOLUME IN CONTRACTS : 42,173
A=Ask B=Bid C=Call P=Put

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

BASE LENDING RATES

[illegible]

JOTTER PAD

CROSSWORD

No.6,905 Set by TANTALUS

ACROSS

1 and 5 I send cash clerk out to find novelist (7,7)
9 College officer gets coach (5)
10 American school dance by the sea? (9)
11 Lay down rules before writer (9)
12 150 leave Essex town for London district (5)
13 Card game hush (5)
15 My notes it turns out provide evidence (9)
18 Study route to large hall (9)
19 Starts raven off on short thick perch (5)
21 Loath to move Indian pot (5)
23 Met Sherpa changing into heavy coat (9)
25 Scientist recollects it goes cold without density (9)
26 Debate in-bar – guess who's there! (5)
27 Beat short aristocrat to geometric line (7)
28 Drive into section of wall (7)

DOWN

1 Felines fell light breeze (4-3)
2 Articles on feline with white spot (9)
3 Some lonely rich men read this type of poetry (5)
4 He is a sport playing without a Cambridge student (9)
5 Motored to look at cattle (5)
6 Gallant companion always entertaining Ali (9)
7 Demand right (5)
8 Spent stupidly on extremely early spare wheel (7)
14 To a few accepting hot stew it's tasty (9)
16 One who observes old periodical (9)
17 Wild Omaha pig follows duck eating raw food (9)
18 Call for a short prayer (7)
20 Settled up with annoyance creating a storm (7)
22 Cut round back of bush and find prickle (5)
23 Particular aspect (5)
24 Domain for genuine Frenchman (5)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday April 22.

WORLD STOCK MARKETS

AUSTRIA | BELGIUM/LUXEMBOURG | DENMARK | FINLAND | FRANCE | FRANCE (continued) | GERMANY | GERMANY (continued) | ITALY | ITALY (continued) | NETHERLANDS | NORWAY | SPAIN | SWEDEN | SWITZERLAND | SOUTH AFRICA | JAPAN | AUSTRALIA | HONG KONG | SINGAPORE

CANADA

TORONTO
Closing prices April 7

Quotations in cents unless marked $.

Sales	Stock	High	Low	Close	Chng
58882	CanCap A	$10⅛	9⅞	9⅞	− ⅛
2500	CentFd A	$6⅝	6⅝	6⅝	+ ⅛
12368	C Guar Trc	$22½	21⅞	22⅛	+ ⅝
21000	Charan	125	120	120	− 5
4200	CHUM B f	$20	19⅞	19⅞	− ⅛
39770	Cineplex	$16⅞	16½	16⅝	− ⅛
3700	Co Steel f	$17¾	17½	17½	− ¼
227119	Cominco	$26⅛	25⅞	26⅛	+ ⅜
3500	Computlog	$5⅛	5	5	
92800	Connaught	$29	28⅝	29	
200	Inv Grp	$16⅞	16⅞	16⅞	+ ⅛
4000	Ipsco	$19⅛	18¾	18¾	− ½
4507	Ivaco A f	$11¼	11¼	11¼	− ⅛
818	Ivaco B	$12¼	12	12¼	+ ¼
24125	Jannock	$18⅞	18⅝	18⅝	− ¼
4200	Kerr Add	$19½	19¼	19½	− ⅛
57100	Labatt	$22¾	22½	22½	− ⅛
31228	Lac Mnrls	$12¼	12	12	− ¼
13658	Lafarge p	$18⅞	18¾	18¾	
38500	Laidlaw A	$18¼	18⅛	18⅛	
258038	Laidlw B f	$18⅞	18⅝	18⅝	− ⅛
30365	HyTrco A	$16⅛	15¾	16⅛	
23800	SHL Syst	$10⅝	10⅛	10⅛	− ⅝
500	SNC A f	$5¾	5¾	5¾	
8500	StL CemA f	$17	16¾	16¾	− ¼
10000	Samuel MT	$14¼	14	14	
48836	Saskoil	$10	9⅞	9⅞	− ⅛
12082	Sceptre	400	390	390	− 5
150	Schneider A	$25½	25½	25½	− ½
500	Scot Paper	$17⅛	17⅛	17⅛	− ½
32880	Scotts f	$15¼	15	15⅛	− ⅛
122000	Scotts C	$15¼	15⅛	15⅛	− ¼

MONTREAL
Closing prices April 7

Sales	Stock	High	Low	Close	Chng
8296	DomTxtA	$13⅞	13¾	12⅞	+ ⅛
8200	Memotec	$10½	10¼	10⅛	+ ¼
6325	MntTrst	$23¼	23¼	23¼	+ ⅛
35310	NatBk Cda	$12⅝	12⅜	12½	
10873	Noverco	$11⅝	11½	11½	− ⅛
25715	Power Corp	$15	14⅞	14⅞	− ¼
139080	Provigo	$09⅛	08⅝	08⅞	− ⅝
8162	SteinbrgA	$40	37½	38	−1½
9335	Videotron	$16⅛	15⅞	16⅛	+ ¼

Total Sales 5,318,223 shares.

INDICES

NEW YORK DOW JONES

	Apr 7	Apr 6	Apr 5	Apr 4	1989 High	1989 Low	Since compilation High	Since compilation Low
♦Industrials	2304.80	2291.97	2304.80	2298.20	2347.14 (7/2)	2144.64 (3/1)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	87.72	87.92	87.93	87.73	89.62 (8/2)	87.35 (23/3)	-	-
Transport	1070.67	1066.30	1067.27	1057.89	1087.97 (7/2)	959.95 (3/1)	1101.16 (14/8/87)	12.32 (8/7/32)
Utilities	186.70	185.46	185.46	184.80	191.15 (24/1)	181.84 (24/2)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2314.88 (2304.07) Low 2282.07 (2288.86)

STANDARD AND POOR'S	Apr 7	Apr 6	Apr 5	Apr 4	1989 High	1989 Low	Since compilation High	Since compilation Low
Composite ‡	297.15	295.29	296.24	295.31	299.63 (7/2)	275.31 (3/1)	336.77 (25/8/87)	4.40 (1/6/32)
Industrial	342.30	339.89	340.97	340.14	346.41 (7/2)	318.66 (3/1)	393.17 (25/8/87)	3.62 (21/6/32)
Financial	28.11	27.97	28.06	27.94	28.11 (7/4)	24.30 (3/1)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	166.93	166.02	166.45	165.95	168.10 (16/3)	154.98 (3/1)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. Value	330.59	330.08	330.27	329.19	332.52 (16/3)	305.24 (3/1)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	410.71	408.20	408.30	407.18	410.71 (7/4)	378.56 (3/1)	455.26 (26/8/87)	54.87 (31/10/72)

	Mar 17	Mar 10	Mar 3	year ago (approx.)
Dow Industrial Div. Yield	3.70	3.70	3.70	3.35
	Mar 15	Mar 8	Mar 1	year ago (approx.)
S & P Industrial div. yield	3.13	3.16	3.23	2.94
S & P Indl. P/E ratio	13.17	13.04	12.68	15.35

TRADING ACTIVITY † Volume

Millions	Apr 7	Apr 6	Apr 5
New York	156.950	146.350	1166.85
Amex	9.625	10.873	10.145
OTC	133.578	114.038	120.750

NEW YORK	Apr 7	Apr 6	Apr 5
Issues Traded	1,930	1,945	1,949
Rises	874	566	782
Falls	543	830	607
Unchanged	513	549	560
New Highs	90	54	71
New Lows	26	30	35

CANADA

TORONTO	Apr 7	Apr 6	April 5	April 4	1989 High	1989 Low
Metals & Minerals	3265.2	3248.0	3253.8	3258.8	3564.9 (6/2)	3207.5 (3/1)
Composite	3553.0	3551.8	3556.2	3552.6	3696.1 (8/2)	3350.5 (6/1)
MONTREAL Portfolio	1777.85	1773.74	1769.96	1770.40	1850.44 (8/2)	1677.48 (3/1)

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
SmithKline	2,915,900	66¼	− ½	Sears Roebuck	1,483,900	44⅞	+ ⅝
Syntex	2,451,100	44¼	+ 1¼	Anheuser	1,461,100	37¾	+ ⅞
Exxon	1,834,200	42⅝	− ¼	Limited	1,348,300	27¼	+ 1¼
Pac G&E	1,620,700	17⅞	+ ⅛	Gillette	1,172,700	37⅞	+ 1⅛
IBM	1,606,700	109⅞	+ 1⅞	Ford Motor	1,134,000	47¾	+ ⅞

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Apr. 7	Apr. 6	Apr. 5	Apr. 4	1989 High	1989 Low
AUSTRALIA						
All Ordinaries (1/1/80)	1412.9	1424.5	1426.3	1433.0	1551.7 (31/1)	1412.9 (7/4)
All Mining (1/1/80)	652.6	654.9	654.6	658.3	727.0 (26/1)	652.6 (7/4)
AUSTRIA						
Credit Aktien (30/12/84)	296.77	291.92	292.51	292.36	296.77 (7/4)	219.5 (2/1)
BELGIUM						
Brussels SE (1/1/80)	5803.14	5801.98	5781.36	5749.10	5834.01 (10/2)	5519.30 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	(u)	297.45	295.78	293.70	297.45 (6/4)	275.49 (27/2)
FINLAND						
Unitas General (1975)	812.3	807.4	801.9	798.6	812.3 (7/4)	723.3 (4/1)
FRANCE						
CAC General (31/12/82)	453.3	454.3	453.1	451.0	457.3 (6/2)	417.9 (4/1)
Ind. Tendance(30/12/88)	106.5	106.5	106.4	106.3	108.1 (3/2)	97.5 (27/2)
GERMANY						
FAZ Aktien (31/12/58)	564.38	566.30	563.91	562.72	569.27 (8/2)	535.78 (27/2)
Commerzbank (1/12/53)	1678.5	1683.7	1679.3	1673.1	1705.6 (5/1)	1595.7 (27/2)
DAX (30/12/87)	1348.02	1345.50	1348.80	1339.79	1371.10 (5/1)	1271.70 (23/2)
HONG KONG						
Hang Seng Bank (31/7/64)	3024.09	3015.51	(c)	2991.96	3209.96 (9/2)	2706.69 (3/1)
ITALY						
Banca Com. Ital. (1972)	603.79	605.75	606.33	607.49	615.89 (17/1)	577.49 (28/2)
JAPAN						
Nikkei (16/5/49)	33185.05	32995.78	33360.79	33312.2	33360.79 (5/4)	30183.79 (5/1)
Tokyo SE (Topix) (4/1/68)	2474.35	2469.78	2494.74	2483.01	2494.74 (5/4)	2366.91 (6/1)
NETHERLANDS						
CBS Tu. Rtn. Gen. (End 1983)	231.1	231.0	231.0	230.2	231.1 (7/4)	208.3 (3/1)
CBS All Shr (End 1983)	184.9	184.7	184.7	184.2	184.9 (7/4)	166.7 (1/3)
NORWAY						
Oslo SE (2/1/83)	603.11	605.05	610.78	612.09	615.51 (3/4)	467.17 (2/1)
SINGAPORE						
Straits Times Ind. (30/12/66)	1186.66	1192.43	1191.26	1193.25	1194.63 (29/3)	1030.69 (4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1578.04	(c)	1582.0	1613.0	1639.0 (23/3)	1291.0 (15/2)
JSE Industrial (28/9/78)	2489.04	(c)	2493.0	2477.0	2493.0 (5/4)	1961.0 (3/1)
SPAIN						
Madrid SE (30/12/85)	294.13	292.95	291.61	291.25	294.13 (7/4)	268.61 (1/3)
SWEDEN						
Jacobson & P. (31/12/56)	(u)	3912.2	3907.0	3892.0	3912.2 (6/4)	3333.9 (3/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	665.2	665.2	661.2	659.2	665.2 (6/4)	613.1 (3/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	505.8	510.9	510.4	519.0 (17/2)	491.2 (28/3)

‡ Subject to official recalculation.

Base values of all indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia, All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Friday 7 April 1989

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Mitsubishi Metal	48.8m	1,320	+70	Showa Denko	34.8m	1,370	-10
Nishimatsu	43.7m	[illegible]	[illegible]	Mitsui Mining &	[illegible]	[illegible]	[illegible]
Mitsubishi	[illegible]	[illegible]	[illegible]	Smelting	30.8m	1,010	+21
Toshiba	[illegible]	[illegible]	[illegible]	Mitsui Eng.	28.8m	1,020	+20
KHI	37.1m	1,090	+20	Nippon Steel	28.3m	835	-6
				Nippon Mining	28.2m	1,080	+80

4pm prices April 7

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
29	21¼	AAR	.44	1.6	18	402	27⅛	26⅞	27	+ ⅛
10⅛	8⅞	AGM n	1.01	12.		x113	8⅞	8¾	8⅞	– ⅛
11⅞	10¼	ACMIn	1.28a	12.		636	10⅞	10⅝	10⅞	+ ⅛
10⅛	8½	ACM M	n1.01	11.		x263	9⅛	8¾	8⅞	+ ⅛
11¼	10¼	ACM Sc	1.26	12.		639	10⅝	10½	10½	– ⅛
10⅛	8⅛	ACMSp	n.93e	11.		665	8⅞	8½	8½	
5¼	2⅝	AMCA	.12e	3.3		43	3⅝	3⅝	3⅝	– ⅛
6⅞	3⅞	AM Intl				3919	6	5⅞	5⅞	– ⅛
23½	18⅞	AM Int pf	2	8.7		95	23	23	23	
62¼	39	AMR			7	2859	59⅝	58½	59⅜	+ ¼
9½	4⅞	ARX				69	4⅞	4⅞	4⅞	
47	35¼	ASA	3a	7.2		178	41⅞	41½	41⅝	– ⅛
20¼	14¼	AVX	.24	1.4	6	99	17⅜	16⅞	17¼	+ ⅛
66	42⅞	AbtLab	1.40	2.6	16	2825	54⅞	54	54⅞	+ ⅛
19	15½	Abitibi g	1			42	16⅝	16½	16⅝	+ ⅛
13⅞	7½	AcmeC	.40	4.2		38	9⅞	9⅝	9⅝	– ⅛
7⅞	5⅞	AcmeE	.32	4.4	26	29	7⅛	7⅛	7⅛	
30¼	20¼	Acuson			25	503	28¾	28½	28¾	
16⅞	14⅛	AdaEx	1.82e	13.		65	14⅝	14½	14½	– ⅛
16⅞	7⅛	AMD			11	6759	9⅜	8½	9¼	+ ⅝
43½	28¼	AMD pf	3	9.1		9	33	32½	33	+ ½
8⅝	6½	Adobe				20	7⅛	7½	7⅝	
18¼	16½	Adob pf	1.84	11.		7	17⅝	17⅝	17⅝	+ ⅛
21⅞	20	Adob pf	2.40	12.		17	20⅜	20¼	20⅜	+ ¼
9⅞	5⅞	Advest	.12	1.7	15	102	7⅛	7	7	
52½	39½	AetnLf	2.76	5.3	9	1886	52⅞	51⅛	52⅞	+ 1⅛
44½	24	AflPb s	.22	.5		2677	41⅝	41⅛	41⅛	– ⅛
18¼	13¼	Ahmans	.88	4.9	9	2602	18⅝	17⅞	18	
4⅞	2⅞	Aileen			22	68	3⅞	3⅞	3⅞	
53⅛	37¼	AirPrd	1.20	2.8	11	1431	43½	43⅛	43½	– ⅛
28½	15½	AirbFrt	.60	2.3	29	47	26	25⅞	25⅞	+ ⅛
18	11⅞	Airgas			11	224	18	17⅞	17⅞	+ ⅛
20½	17⅞	Airlease	2.40	13.	9	61	19	18⅞	19	+ ⅛

Continued on Page 43

هكذا من الأصل

NYSE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
Continued from previous Page										
59½	40	Quantm	3	6.1	3	1190	49⅞	49	49½	- ⅛
11⅝	9⅝	QatVI	1.20	10.		177	11½	11⅝	11½	
10½	7¼	QatVC	.09			214	10¼	10¼	10¼	- ⅛
35⅛	29⅞	Questar	1.88	5.9	25	97	32¼	32	32⅛	+ ⅛
16⅞	10½	QkReilly	.24	1.8	13	24	13½	13¼	13½	
		- R-R-R -								
12	10⅜	RAC In	n.11e	1.0		482	11⅛	10⅞	10⅞	+ ⅛
11¼	4	RAC	1.56e	35.	4	118	4½	4⅛	4½	
12¾	6⅛	RBInd				60	11⅝	11⅞	11⅞	
100⅛	44¼	RJR Nb	1.83e	1.8	15	9490	99⅞	98⅛	98½	- ⅛
10½	6	RLC	.20b	2.2	10	140	9⅛	8⅞	9	+ ⅛
11⅛	7⅛	RLI Cp	.36	4.1	7	21	8⅝	8⅜	8⅝	
7⅞	4⅞	RPC			22	11	7⅛	7	7⅛	
7½	5½	RPS n	.16e	3.2		90	5	5⅞	5	
59½	29½	Racal n				3353	56⅞	54⅞	56⅞	+1⅛
1⅛	5-16	Radice				782	5-16	⅜	⅜	
88⅞	66	RalsPur	1.65	2.0	12	610	83½	82⅞	83⅞	+ ⅛
12⅞	6⅛	Ramad				5620	11¼	11	11⅛	+ ⅛
6⅞	4⅞	RangrO			45	119	6	5⅞	5⅞	
54	30⅛	Raycm	.32	1.0	11	773	33	32½	32⅝	- ⅛
14⅝	9	RJamFn	.20	1.5	9	35	13⅞	13⅝	13⅝	
21⅛	17⅞	Rayonr	2.60	14.	6	101	19½	19⅛	19⅛	
6	½	vjRaytc				5	1⅞	1⅞	1⅞	+ ⅛
73⅞	61	Raythn	2.20	3.2	9	920	68	67⅝	67⅞	+ ⅛
2⅛	½	ReadBt				330	11-16	⅝	11-16	
18⅝	15⅛	REIT	1.36	8.8	15	36	15⅝	15⅜	15⅝	
16½	13⅛	RltRef	1.72	12.	5	3	14	14	14	
12⅛	5½	RecnEq			34	144	6⅝	6⅝	6⅝	- ⅛
17⅞	9½	Reebok	.30	2.2	12	2284	14	13⅞	13⅞	- ⅛
12⅞	10⅛	Reece	.15e	1.2	15	1	12⅛	12⅛	12⅛	- ⅛
11-16	7-64	Regal				786	⅛	⅛	⅛	+1-32
7½	5½	RegiFn	.24e	3.4		86	7⅛	7⅛	7⅛	
16	12⅞	ReichTg	1.78	14.	8	3	13	12⅞	12⅞	- ⅛
7	4⅛	RelGrp	.32	6.8	15	44	5	4⅞	4⅞	- ⅛
6⅞	4⅛	RepGyp	.20	4.3	22	18	4⅝	4⅝	4⅝	- ⅛
49⅛	39½	RepNY	1.28	2.9	9	372	44⅞	44⅛	44⅞	+ ⅛
52⅛	41⅛	RNY pfB	3.76e	8.8		100	42⅞	42⅞	42⅞	+ ⅛
33	25	XTRA pf	1.94	6.8		35	28½	28	28½	- ⅛
3⅞	2	Zapata				592	2⅛	2⅝	2⅝	- ⅛
27⅞	18⅝	Zayre	.40	1.5	169	1454	25⅝	25⅛	25⅜	- ⅛
15½	11	Zemex	.40	3.7	23	2	10⅞	d10⅞	10⅞	- ⅛
30	16½	ZenithE			91	5686	18⅛	17½	18⅛	+ ½
10⅛	8⅞	Zeninc	.69e	7.2		42	9⅝	9½	9⅝	
2⅛	1	vjZenLb				229	1⅞	1⅛	1⅞	+ ⅛
21⅛	15	ZeoNtl	.80b	4.2	9	70	18⅞	18½	18⅞	+ ⅛
18⅞	13	Zero	.44	2.4	15	65	18⅛	18	18⅛	- ⅛
29⅛	19	Zurnin	.68	2.4	16	79	28⅞	28½	28⅝	
11⅛	9⅛	Zweig	1.07e	10.		270	10⅝	10½	10½	
10⅛	8⅞	ZweigT	n.24e	2.7		x1715	8⅞	d 8⅞	8⅞	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales infull. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4pm prices April 7

OVER-THE-COUNTER

Nasdaq national market, 4pm prices April 7

The Business Column

Software firms in a complex world

The distinction between personal computer (PC) software companies and mainframe software companies is eroding rapidly as PC software becomes more complex and sophisticated.

And PC software firms are making heavy weather of the change. The most obvious sign is a spate of products announced but yet to be delivered. The latest version of of the best-selling 1-2-3 spreadsheet from Lotus Development Corporation is already over a year behind schedule.

Microsoft, developer of the *MS/DOS operating system for* IBM-compatible microcomputers, had a series of delays on Windows, its software for controlling screen images. A month ago it surprised industry analysts by announcing its new word processing programs for the Apple Macintosh and IBM-compatible PCs would also be delayed.

Personal computers today give the equivalent in performance of top-end minicomputers and even small mainframes of a decade ago, especially in the amount of memory – and therefore the size and complexity of programs – they can handle.

At the same time, PC users are asking a great deal more of software developers. PC software companies are now obliged to produce programs which are in many cases as large and as complicated as those written for mainframe computers. OS/2, for example, Microsoft's operating system for the next generation of PCs, is as complex as a mainframe operating system of a decade ago.

The logistics and economics of mainframe software production and PC software production have been distinctly different. Mainframe software was written in direct response to a contract from a customer. Funds for the (frequently lengthy) development phase were provided by the customer. The cost was often very high. Where the finished product seemed to have further commercial potential, the customer and the software house would form a partnership, "package" the software and market it. Many big banking packages such as BIS's Midas came into being in this way.

The hazards of large-scale projects

Writing large computer programs has its own special hazards. Doubling the size of a program increases the difficulty of development and the chances of missing errors more than proportionately. Adding more specialists to a software team frequently slows a project down rather than accelerating it.

PC software, on the other hand, frequently originated in a single bright idea – like 1-2-3 or its predecessor Visicalc – and was often written by one person. Mitchell Kapor, founder of Lotus, wrote the first version of 1-2-3 by himself. Costs and selling prices were low, programs were comparatively small in size and limited in function.

The trick was to achieve substantial multiple sales to generate the cash flow for further developments. Lotus spent a fortune on publicity. Microsoft had the powerful advantage of guaranteed sales of the MS/Dos operating system to IBM and makers of IBM compatible computers.

PC software companies attracted funding in a way mainframe software companies never had, as investors gambled on backing another Lotus or Microsoft.

Now these high-flying companies are having to come to terms with their new place in the software world. Jim Manzi, *Lotus president, says the company* has learned some hard lessons from its failure to bring the new 1-2-3 in on time.

For all the major PC software companies, these lessons include the need to manage software development on a more professional basis. Quality controls will have to be tightened. A measure of innovation may have to be sacrificed in favour of engineering standards.

In the nature of the software business there will always be a flow of small companies with bright ideas for novel programs, but the new economics dictate few challenges to the established standard utilities – word processors, database systems and spreadsheets. Those boats have been missed.

Alan Cane

THE MONDAY INTERVIEW

Tranquil weaver of consensus

Alan Friedman speaks to Lorenzo Necci, chairman of Enimont, the Italian chemicals joint venture

Lorenzo Necci, more than many figures in Italian public life, looks and acts like a member of the court of a Renaissance prince. Serene, soft-spoken, even solemn in his demeanour, the 49-year-old chairman of Enimont, Italy's recently created joint venture chemicals conglomerate, is considered by his peers to be both a master of politico-corporate intrigue and a man of compromise.

One of Mr Necci's colleagues calls him a *tessitore*, or a weaver of consensus. Given that his goal is nothing less than to achieve a renaissance in the Italian chemicals industry, Mr Necci will need to make full use of his Medici-like talents if he is to avoid failure.

Consider his thankless position. He presides over Enimont, a 50-50 joint-venture that brings together the whole of Enichem, the state chemicals company, and a substantial part of the assets of Montedison, the Milan-based private sector concern. Since being taken over two years ago by Raul Gardini's Ferruzzi group, Montedison has been treated like one of Mr Gardini's grain storage silos – assets have been shunted up, down and sideways in an effort to reduce debts and strengthen family control. Enimont is a disparate array of bulk chemicals, fertiliser, synthetic rubber and fibre assets that began life on January 1 of this year.

Enimont, which is predicting $11bn (£6.5bn) of revenues for 1989, is, as Mr Necci admits, a mixture of activities with certain strengths in the European chemicals market, but desperately in need of streamlining. The company, just 90 days old, starts life with debts of $4.4bn, or nearly twice its net equity. Some 62 per cent of the debts come from Montedison.

Enimont is heavily dependent on the commodities end of the business, with little value-added fine chemicals activities. Its fortunes are therefore at the mercy of the price cycle in bulk chemicals, which has been buoyant over the past year but is now showing signs of a prospective downturn. In 1989 Enimont will spend just 2.5 per cent of its turnover on R&D, half the average of most European giants. The company needs to reduce its workforce of 50,000 by 10 per cent over the next 12 months.

Because Enimont is the product of a merger between state and private industry, it has a range of duplicated activities that need to be eliminated, a number of small and obsolete plants and a dependence on its home market that is illustrated by the fact that 86 per cent of production and 60 per cent of sales are tied up in Italy.

Just to complicate Mr Necci's task, Enimont is being hailed by some Rome politicians as a panacea in the only major Western country that has a deficit on its chemicals trade ($6bn in 1988). Meanwhile Sergio Cragnotti, Enimont's managing director in charge of finance, is a crony of Mr Gardini's who knows about commodities trading and sugar, but who is unknown in the European chemicals sector. And the birth of Enimont has been further confused by an embarrassing political squabble over $1bn of capital gains tax deferrals that Mr Gardini has been seeking by means of tailor-made legislation that has yet to pass through the Italian parliament.

It is no wonder that respected chemicals sector analysts such as Mike Hyde, editor of the trade newsletter Chemical Insight, sum up the international view of Enimont by pointing out that the company is five or 10 years behind its European competitors, that "at present Enimont doesn't pose a threat to anyone" and that Mr Cragnotti, imposed on the venture by Ferruzzi-Montedison, "just doesn't know the chemicals business." Another London-based analyst says that "Necci has got one hell of a lot to prove and he better be very good or he'll end up flat on his face."

Immaculately tailored, Mr Necci sits in his Milan office and smiles as he listens calmly to these analysts' comments. His calm is legendary in Italian business circles; he says it stems from his "tranquil" childhood in Fiuggi, a spa town 50kms south-east of Rome. Mr Necci's father worked for the railway there and despite the hardships of post-war Italy the Necci family was well off because it owned 20 acres of vineyards and olive groves.

In 1963, two years after taking a law degree, Mr Necci began his association with the small and centrist Republican Party of Italy. Through friends such as Adolfo Battaglia (now the Republican Minister of Industry), Mr Necci met Ugo La Malfa, the legendary Republican Party leader. "When you meet Ugo La Malfa," he recalls, "it is hard not to become a Republican."

La Malfa wanted Mr Necci to stand for parliament, but he went to work instead as a legal adviser in the plant engineering sector. Then, in 1975, while watching the news on television, Mr Necci says he learned that he had been appointed to the board of ENI, the state energy group, on the recommendation of La Malfa.

In the early 1980s, Mr Necci was charged with working to rationalise the Italian chemicals industry. It was in these formative years that he learned the delicate art of compromise between Rome political interests and northern Italian private sector industry.

In 1983 he was named chairman of ENI's Enichem subsidiary, which he brought from losses of $1bn a year to profit by 1985. He claims that unlike other politically linked officials of state industry, his membership in the Republican Party has never influenced his decision-making because his party is too small to count.

Today, earning $250,000-a-year, Mr Necci shuttles each week aboard a 10-seater Falcon 50 between his work in Milan and his wife and children in Rome. Sundays are spent at the Necci family villa in Tarquinia, a coastal resort near Rome. And Mr Necci's passions, like his personality, are tranquil pursuits such as gardening and golf. So how does he respond to the harsh words of London analysts?

"Well," he replies after a measured pause, "many of the observations are correct, but I can only work with what I've got to work with. This is not a merger of ICI and Hoechst. This is Enichem and Montedison. It is true that we derive 70 per cent of our turnover from commodities, but I don't think we have to have a strategy only of fine chemicals. It is true that most of our production is in Italy, but we also have strong European market shares in polyethylene, synthetic rubbers, detergents and acrylic fibres."

Enimont, says Mr Necci, is a base on which to build and "an industrial project with great validity." And he notes that this year the company will make a profit of L1,000bn (£430m), adding that "a company that is only Italian, only bulk chemicals and yet makes L1,000bn of profit is not so bad."

As for foreign criticism of Mr Cragnotti, Mr Necci mixes diplomacy with his sardonic sense of humour and remarks that Mr Cragnotti "has responsibility for finance, for asset disposals, and I think he has a fantastic record of asset disposals at Montedison, eh?"

Enimont's success should be measured not now, but in five or 10 years, maintains Mr Necci. He says his game plan for Enimont consists of three basic steps: rationalising production facilities, integrating disparate assets and then devoting more resources to Europe-wide marketing.

In order to internationalise Enimont Mr Necci says he will spend $1bn on acquisitions in the European chemicals sector over the next three years. He also proclaims himself a great believer in joint ventures such as the 1986 accord between Enichem and Britain's ICI in the polyvinyl chloride (PVC) sector.

The next such deal is likely to be in the polyethylene sector and could come before this autumn, although Mr Necci will not say with which European companies he is talking. At home in Italy an agreement between Enimont and Fiat's SNIA-BPD subsidiary is likely to involve asset swaps and joint ventures in the fibres sector; this deal is expected before the end of May.

On the financial front Mr Necci says plans are going ahead to raise L1,000bn from the sale of 20 or 22 per cent of Enimont by means of a public share offer, half of which will *be to investors outside of Italy.* This fund-raising operation, expected in June, will leave ENI and Montedison each holding roughly 40 per cent of Enimont stock and will help to reduce Enimont's debt level.

But how does Necci reply to analysts who say that prices in the bulk chemicals market may sink long before he has time to get his cost structure under control? Calm as ever, he shrugs and says he knows there is not much time and a great deal of work to do.

And then, assuming his most professorial pose, he tries to place the challenge of Enimont into a larger Italian context: "We must remember that Italy is a country with only a few big industrial groups, the Agnellis, Gardini, De Benedetti for example. And Italian capitalism, as we all know, is very, very particular, with just a few big families in control. Thus the development of big industry, such as chemicals, is very difficult in Italy, requiring enormous political consensus, time, patience and the stitching together of operations such as Enimont. We will do our best and I think we will succeed."

Mr Necci, the weaver of consensus who is restructuring Enimont faces what he calls "a *constant challenge*," knows precisely what he is up against. And, what is more, he says as much.

'I can only work with what I've got to work with'

PERSONAL FILE

- **1939** *Born, Fiuggi, Italy. Educated, University of Rome, law degree*
- **1961** Began work as articled clerk and later legal adviser for Italian subsidiaries of Belgian and French plant engineering companies
- **1975** Named to board of ENI state energy group
- **1983** Became chairman of Enichem (ENI chemicals subsidiary)
- **1989** Named chairman and chief executive of Enimont

Reform for a modern democratic society

JUSTINIAN

The stream, at times the torrent of criticism of the Government's three green papers on reform of the legal profession and legal services, flowing from the unique debate in the House of Lords last Friday, has so engulfed the proposals for change that one cannot envisage their survival without being substantially amended.

The source of such hostility came largely from the lordly judges and those associated or directly acquainted with the administration of justice. The hostility represented the apotheosis of professionalism and its concomitant professional interests.

The Government has largely itself to blame if it fails to achieve the much needed legislative and administrative reforms of a profession that too late in the day and with too little concession to public opinion failed to put its house in modern order. The attacks on the Lord Chancellor's proposals focused on the delicately structured system of the administration of justice by judiciary, Bar and law society.

Many of the speeches were clarion calls to the preservation of the established independence of the courts from governmental action and influence. The speech of the Lord Chief Justice was notable for its heartening message that our judges do indeed stand up for the citizen against an over-powerful and overbearing Executive and a bullying bureaucracy. But why was Lord Lane driven to declaring such a self-evident truth? For two reasons, one substantive and one procedural.

The prominent proposals for the establishment of an advisory committee to the Lord Chancellor to supervise and monitor the conduct and training of lawyers and advocates are short on substantiated complaints about the existing self-regulation of the profession, and are badly thought out.

It was left to a former general secretary of the TUC, Lord Murray of Epping Forest, to observe pertinently, from his own experience on the Bar council's disciplinary body, that there could be little justified criticism of the manner in which the Bar, at least, disciplines barristerial miscreants.

It was Lord Murray who pointedly mocked some of the judicial peers for their very recent conversion to the desirability of the consultative process in all avenues of government and public administration. He should know. It was only in the litigation over the official banning of trade unionists at GCHQ five years ago that aroused the judges to legitimise the usual expectation that individuals have when their rights and interests are threatened, that they will have an opportunity to make representations prior to any action being taken.

The Lord Chief Justice's ire was aroused precisely because the judges, who have the daily task of operating the legal system, should have been consulted about the changes mooted by the Lord Chancellor – himself the head of the judiciary. Perhaps one of the lessons of the unprecedented debate is that the judges will constantly endorse the need for ample procedural safeguards in any adjudication or action affecting the individual.

The Government has largely itself to blame if it fails to achieve the much needed reforms

But the overriding defect in the main green paper is not its feared assault on professional bodies and practices, so carefully moulded over the years. Many of them undoubtedly cry out for reform.

It is the context in which the proposals are couched that deserves the severest strictures. Both Lord Irvine of Lairg and Lord MacGregor of Durris – incidentally two peers with Scottish ancestry – pointed out how the Government's proposals were framed in market terminology and market place practices, in order to provide a better service to the public.

Laudable enough, but who is this public in the market square? A free market in legal services is designed for those who have the wherewithal to take advantage of what it offers and, perhaps more significantly, the ability to make sensible choices. Lord Hailsham in a typically rumbustious notefree speech was at least right in saying that there was a world of difference between weekly purchasing of soap powder and the occasional need to go to lawyers for advice and assistance.

The main green paper offers a few soothing platitudes about the part played by legal aid. It says nothing at all about expanding the scope of the legal aid scheme to those many who currently *fall* outside its low ceiling of financial limits. It makes no mention of the pressing social need to develop and sustain neighbourhood centres for the wide range of problems that affect the mass of citizens.

The plain truth is that the Government's proposals, if they are sensibly adjusted to meet some valid criticisms voiced in the Lords debate, will satisfy the needs for legal services to the happy few. For the less privileged, the enhanced service will be largely irrelevant.

The English legal system has traditionally grown up to cater for the protection of property rights. Since the last war that acknowledged devotion by lawyers to serve the needs exclusively of the property classes has spread more widely, but not always evenly or comprehensively, to all classes as a result of the growth of administrative action affecting all citizens – in such fields as education, child welfare, housing and immigration – and in problems relating to the family.

But the core of the legal system remains rooted in its historical setting. Until reforms of the profession and the service that it provides are framed in contemporary terms of services for all, they will fail to fit the demands of a modern democratic society.